





EUROPE

RESIGNATION FALLOUT NEW FINANCE MINISTER IN JOBS PLEDGE

# Swedish PM tries to ride out storm

By Nicholas George in Stockholm

Göran Persson, the Swedish prime minister, kept a low profile yesterday as he attempted to limit damage to his government caused by the sudden resignation on Monday of Erik Asbrink, finance minister.

"The job must be done and we will battle on," Mr Persson said as he entered a closed meeting with members of the Social Democratic parliamentary group to discuss the budget, which will be announced today.

Mr Persson came under attack from the media and the opposition over his leadership style, which has been characterised as authoritarian and is seen as the cause of many of the government's problems.

However, opposition calls for a new election had little support.

Senior colleagues remained publicly supportive and a telephone survey of SDP organisations throughout the country

showed he appeared to retain members' confidence as leader.

On his first day at work, the new finance minister, Rose Ringholm, stressed continuity with his predecessor but added that with his background as head of the National Labour Board it was only natural he would stress the need for growth and jobs.

"I hope to prioritise jobs and employment at the same time that I realise that the precondition for new jobs and employment is that there is a stable economy, that we meet our budget goals and have low inflation and interest rates," Mr Ringholm said.

He said after the difficult years of austerity, when the government had to restore order in public finances, he looked forward to "growth with justice".

Mr Ringholm would not be drawn on the issue of Swedish membership of European economic and monetary union, saying he was undecided on the matter and

would wait until the party had discussed it fully before making up his mind.

"Mr Ringholm is best described as a loyal co-worker. If Mr Persson had wanted an independent finance minister he would have appointed someone else," said Peter Lindquist, HSBC economist.

He said that although Mr Ringholm emphasised jobs, this was unlikely to endanger the policies of fiscal consolidation that have broad support in the government and the SDP.

The budget is expected to show the country's public finances in a strong position but to be characterised by Mr Ringholm's predecessor's caution towards tax cuts.

There are also expected to be some details of plans for lower income tax at the cost of higher energy taxes.

In the corporate sector there is expected to be proposals that will allow companies to buy their own shares and a move to allow company accounts to be reported in euros.

# Italian failures cited in Mont Blanc report

By Robert Graham in Paris

French experts yesterday blamed Italian failures for exacerbating last month's disastrous fire in the jointly run road tunnel under Mont Blanc in which at least 41 people are known to have died.

A preliminary, official report, carried out at the request of the French transport and interior ministries, said yesterday that Italian efforts to activate a system of smoke extraction inexplicably failed when a Belgian lorry caught fire near the middle of the 11.6km tunnel linking France and Italy.

Instead of setting off an automatic smoke extraction system, more air was pumped through vents in the tunnel, so fanning the flames, according to Michel Marec, one of the report's authors.

The Italian operators were also taken to task for apparently failing to have at their tunnel entrance any effective equipment to combat fire before the fire brigade arrived from the nearby town of Courmayeur.

But the report also laid bare the poor coordination

between the French and Italians over the tunnel's security.

It detailed a long list of incompatibilities and showed the disaster was an accident waiting to happen in the ageing 35-year-old single gallery tunnel, which was handling too much traffic with insufficient fire prevention investment. In this, the report said the French had as much to answer as their Italian colleagues. Only two joint safety exercises had been held in 35 years and neither had approved proper testing of procedures inside the tunnel.

Yesterday, Pierre Duffé, a senior civil servant who headed the investigation, spoke of Italy and France both being "reticent" over safety because of the commercial consequences of closing the tunnel.

A Franco-Italian inter-governmental commission responsible for monitoring tunnel operations met only once a year, and contained no person with specific competence in security matters, even though half all Franco-Italian trans-alpine lorry freight went through the tunnel.

Matters were further complicated by operational responsibility being split in the middle of the tunnel, while the French frontier covered 7.6km of the tunnel.

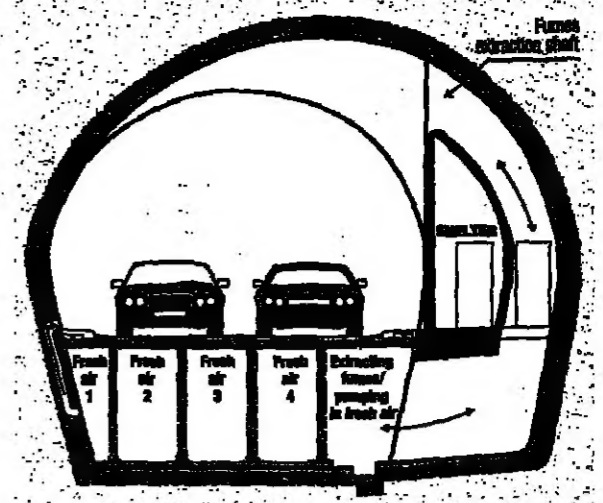
Despite safety upgrading, the report noted that neither side had installed sufficiently powerful smoke extraction systems and the tunnel remained too narrow and without any alternate system of evacuation.

The report noted 13 previous fires involving trucks, the most serious in 1990, but all were quickly brought under control. In four cases, the fires had been caused by engines overheating due to pulling heavy loads up a steep gradient to reach the tunnel, which is over 1,300m above sea level.

The death toll in the March 24 fire could reach as high as 45. The tragedy began just after 10.05am, when a Belgian articulated Volvo truck carrying margarine and flour to Italy was abandoned on fire in the central section of the tunnel.

The report said it was not clear whether the lorry caught fire inside the tunnel or already had an unnoticed fire on board. Investigators

Cross section of Mont Blanc tunnel looking towards Italy



said yesterday they were questioning Volvo, the Swedish truck group, to check any potential cause in the motor and electronics of the vehicle.

Volvo said it was co-operating with French police and accident inquiry experts into the cause of the fire. Of the 113,000 FH trucks produced by Volvo, fires have been reported on 15 vehicles.

The company said it had no reason to suspect any common system fault on the truck. It added that all previous incidents were caused by unrelated problems, such as hauliers overloading electrical circuits or failing to maintain trucks properly.

The fire was detected almost simultaneously by French and Italian controllers but at least 24 trucks and nine light vehicles were trapped in the blaze of temperatures close to 1,000 degrees. Fire fighters from Chamonix and Courmayeur in Italy arrived within 20 minutes but air blowing from the Italian side combined with intense heat and smoke made fighting the fire impossible.

In these conditions, the Italian error of pumping in more air through the ventilation ducts instead of opening the fume extractors is believed to have played a part.

Additional reporting by Tim Burt in Stockholm

## NEWS DIGEST

### LIPPONEN REMAINS PRIME MINISTER

#### Finnish parties agree to form new coalition

Five political parties in Finland yesterday agreed to form a new coalition government after more than three weeks of talks aimed at securing a common policy programme. The talks, initiated after inconclusive results in a general election last month, centred on fiscal policies, employment and welfare provision.

Party negotiators from the Social Democrat and Conservative parties - the two largest parliamentary groups in the so-called rainbow coalition - also agreed on a new allocation of ministerial portfolios with their partners from the leftist Alliance, Green and Swedish Peoples parties.

Under the multi-party deal, Paavo Lipponen, leader of the Social Democratic party, will continue as prime minister, while his Conservative party counterpart, Sauli Niinistö, is to remain finance minister. Tim Burt, Stockholm

### FINANCE MINISTRY

#### New German appointments

Ceilo Koch-Weser, who has spent the last 26 years rising steadily through the ranks of the World Bank in Washington, has been appointed to the top international job in the German finance ministry. Mr Koch-Weser, one of the Bank's managing directors, will replace Helner Fissbeck, the controversial Keynesian economist, as secretary of state for international affairs. A German and Brazilian national, he has had experience working with numerous governments across the world since joining the Bank as a "young professional" in 1973.

Hans Eichel, the incoming finance minister, has also appointed Herbert Zitzelsberger, head of the tax department at chemical company Bayer, as his deputy responsible for tax affairs. Robert Chote, Economics Editor

### SINGLE CURRENCY

#### Brussels firm on euro deadline

The European Commission yesterday advised against any shortening of the three-year transitional period between the launch of the euro last January and the planned introduction of bank notes and coins for the single currency on January 1 2002.

Responding to a Belgian government proposal to cut the transitional period, the Commission warned that "a reduction in the three-year transitional period could give rise to technical problems of such severity as to jeopardise the smooth transition to the euro".

The Commission said the time needed to produce euro coins and notes, the changes required for information technology systems, the complexity of converting public administrations to the single currency and the legal risks of possible claims against any decisions to shorten the three years were important obstacles to change. In addition, it stressed that a large part of the success of the euro to date lay in respecting deadlines. Peter Norman, Brussels

### EUROPEAN TRANSPARENCY

#### Inquiry into public access

The independent European ombudsman has contacted the European Central Bank and two other recently created European Union institutions to establish whether they have adopted and published rules on public access to their documents.

Jacob Söderman, the ombudsman appointed by the European Parliament to investigate possible cases of maladministration, launched the inquiries in the interests of promoting transparency, "good administrative behaviour" and good relations between Europe's citizens and the bodies concerned. He gave the ECB, together with the European Agency for Safety and Health at Work in Bilbao, Spain, and the Community Plant Variety Office in Angers, France, three months in which to respond. Peter Norman

### ROUBLE DEVALUATION EFFECT

#### Russian output up 2.5%

The Russian economy showed a modest improvement in February as a result of the devaluation of the rouble during the financial crisis last August. Industrial output grew by 2.5 per cent over the previous month and there was a modest rise in domestic investment, reflecting both strengthened exports by Russian companies and import substitution for cheaper locally produced goods.

The Russian European Centre for Economic Policy, the Moscow-based organisation that analysed the data based on official statistics, warned domestic demand remained depressed and structural economic reforms were needed if growth were to be sustained. Andrew Jack, Moscow

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US ELECTION FUNDING A RECORD LOW OF ABOUT 12 PER CENT OF TAX FILERS CHECKED OFF THE PUBLIC DONATION BOX ON THEIR TAX FORMS IN 1998

# Americans start to shun campaign donations

By Deborah McGregor in Washington

As millions of Americans scramble to meet tomorrow's tax filing deadline, federal election officials are hoping people will do one small task: put a check mark in the small box on the tax form to send \$3 to the presidential campaign fund that serves as the main pot of public money for election spending.

It is a part of the annual tax-time ritual that has fallen off the priority list for an increasing number of tax filers in recent years, giving rise to concerns that there will not be enough money to go around next year when primary candidates from both parties try to collect the public matching funds to which they are entitled.

A record low of about 12 per cent of tax filers - fewer than 15m - checked off the public donation box in 1998. That was down dramatically from twenty-five years ago when the check-off was first introduced, drawing one in four tax filers to donate.

The decline is attributed to a growing sense of citizens' alienation from the political process. "In recent years, people's anger at the government and disillusionment with politics generally have led them to see this as simply throwing money at the politicians and they don't want to do it any more," said Ed Davis, a campaign

finance analyst with Common Cause, a citizens' group that lobbies for accountability in government. The money raised through the check-off is used for several purposes. It provides funding for the parties' nominating conventions. Republicans will hold their convention in Philadelphia next summer, while Democrats have chosen Los Angeles.

The public funds are also used to pay for the expenses of the general election, although not for any individual campaigns, which still rely on the traditional fundraising techniques that have drawn much criticism in recent election cycles but which no one has mastered enough support to change.

The main impact of the financing shortfall will be felt in the matching funds for primary candidates. Candidates can qualify for matching funds by raising at least \$5,000 in each of 20 states. Only contributions from individuals are matchable at a rate of \$250 per donation.

# Kevorkian sentenced to at least 10 years

By Nikki Tall and Elaine Szewczyk in Chicago

Jack Kevorkian, the prominent US euthanasia advocate who claims to have assisted in the deaths of more than 130 people since 1990, was yesterday sentenced to between 10 and 25 years in jail.

Yesterday's sentence requires that at least 10 years be served.

Judge Jessica Cooper's sentence, handed down in a Michigan courtroom, followed a jury verdict last month which found the retired pathologist guilty of second degree murder in the death of Thomas Youk, a sufferer of Lou Gehrig's disease.

The jury had also found Dr Kevorkian guilty of unlawfully administering a controlled substance when he injected Mr Youk with lethal drugs. "You invited yourself to the wrong forum," Judge Cooper told Dr Kevorkian. "We are a nation of laws... you must always stay within the limits of the law."

Judge Cooper said Dr Kevorkian had been out on bond to another judge when he injected Mr Youk, had not been licensed for eight years, and had deliberately videotaped Mr Youk's death and released the film to a TV network in an effort to force the courts to decide on the euthanasia issue.

When first charged with murder, the 70-year-old, who has had numerous brushes with the law and survived several trials on assisted suicide charges without being jailed, suggested he would starve himself to death if incarcerated, though he has backed away from this.

Dr Kevorkian acted as his own lawyer during the trial, a decision which led to courtroom confusion and appeared to hamper legal presentation of his case, but handed responsibility back to his legal advisers once the jury considered its verdict.

# Neighbours raise their barricades as Colombian factions export violence

Some observers feel the danger is being overplayed by regional leaders keen to make political capital, FT writers report

The dense rain forests which carpet Colombia's border with Panama provide the perfect cover for the extensive movement of drugs, weapons and the activities of Colombia's warring armed factions.

The Darien Gap - as the area is known - appears to be turning into the centre of border friction between war-torn Colombia and its peaceful northern neighbour. Last week Ernesto Pérez Ballaures, president of Panama, said he would send police units to the border area. But Colombian violence is not just spilling over into Panama.

Since the beginning of March three other neighbours - Ecuador, Peru and Venezuela - have beefed up their military presence to protect their frontiers with Colombia.

Early last month Ecuadorian soldiers were sent to protect oil installations near the border area, while Venezuela now has 30,000 troops deployed along its 2,319km frontier with Colombia. The Peruvian government has sent troops to the border, set up new border control posts and reinforced its airforce in

of Farc, now stronger than at any time in its 35-year history with 12,000-15,000 members, flee to sanctuaries across the border in Ecuador and Panama. In Panama they have been pursued by paramilitary units.

Farc has conducted its extortion and kidnapping rackets in the Venezuelan border states of Tachira, Apure, Barinas and Zulia. "We pay the guerrillas more than we do in taxes," said one Venezuelan businessman.

During a recent visit to the border town of Guasdalito in Apure state, Hugo Chavez, Venezuela's president, threatened to retaliate against Colombian guerrillas if they "act in our territory".

Some observers, including General Charles Wilhelm, commander of the US Army's Florida-based

long-running border dispute with Ecuador last year. "The high-profile way Fujimori deployed troops to the Colombian border definitely

suggests that he is trying to drum something up with all of this issue," said Adam Isaacson of the Centre for International Policy, a Wash-

ington-based non-governmental organisation.

Some analysts say that the border incidents arising from Colombia's armed conflict are now less severe than they were in the past. "When the situation was worse there was less reaction. Now that the situation has died down everyone is up in arms," said Alfredo Rangel, of the Bogota-based NGO Fundacion Social. "Neither Farc nor the paramilitary groups have any desire to export the conflict."

# Kidnap wave grows as passengers seized

By Adam Thomson in Bogotá

Uniformed Colombian gunmen have kidnapped the passengers of a commercial flight in what appears to be an alarming escalation of action by the country's leftwing guerrillas.

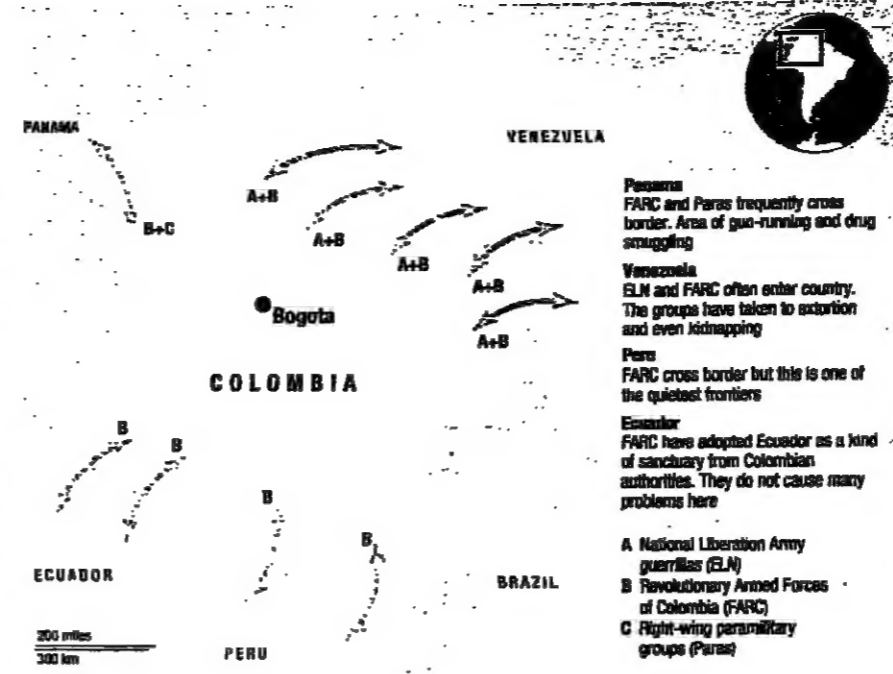
The 41 passengers and five crew members of a domestic

flight bound for the capital, Bogotá, were reported missing on Monday minutes after the 53-seater Fokker aircraft took off from the city of Bucaramanga.

Later that afternoon witnesses saw an armed group forcing the civilians off the aircraft, which had landed safely on a

clandestine runway in the north of the country. Business leaders on Monday night fiercely condemned the kidnapping. The largest rebel group, the Revolutionary Armed Forces of Colombia (Farc), raises approximately 60 per cent of its multi-million dollar income through abduction.

This has helped Colombia become the world's leader in kidnappings, with more than 2,000 last year alone. Rebels typically set up impromptu roadblocks and kidnap up to 40 people at a time in the hope that one or several of the victims are rich or important enough to pay a handsome release fee.



Analysts say Mr Fujimori is keen to create a new focus for nationalist sentiment ahead of next year's presidential elections, and following a settlement of Peru's



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WORLD TRADE

INTERNET ACCESS IN CHINA NEW SYSTEM WILL COST LESS THAN PCs AND ALLOW USE OF TV SETS AS MONITORS

Chinese to compete with Microsoft

By James Harding in Beijing
A Chinese company is planning to challenge Microsoft's latest project in China...

The main selling point of both new systems will be that the software needed for television access to the internet can be loaded on to a video compact disc (VCD) or set-top box...

"We also cannot compete with the market reputation of Microsoft," he said in a report published in the state-owned China Daily.

Microsoft hopes the Venus project will expose millions more people to the internet and is working with some of the best-known names in the Chinese electronics market to develop the product.

In China's personal computer market, the rise of companies such as Legend has resulted in foreign PC makers losing market share to rapidly emerging domestic rivals.

Clinton 'failed' on China deal

US senators yesterday criticised the White House for failing to secure a deal with China on its joining the World Trade Organisation...

NEWS DIGEST

SEMICONDUCTORS

Taiwan to investigate anti-dumping complaints

Taiwan has agreed to investigate an anti-dumping complaint by the island's semiconductor industry against US memory chip makers including Micron Technology.

ENVIRONMENT CASE ECOLOGY GROUPS WIN RULING IN BID TO SAVE TURTLES FROM BEING TRAPPED IN NETS

Legal wrangle engulfs US shrimp dispute

By Nancy Dunne in Washington
A coalition of US environmental groups yesterday said it had won an initial ruling from the US Court of International Trade (CIT) which could handicap US efforts to comply with a decision by a World Trade Organisation dispute settlement panel.

Convention on Migratory species. It is estimated that 150,000 turtles drown in shrimp nets each year.



Turtle-safe shrimp nets in use off the coast of Georgia, US. Environmentalists object to a WTO ruling against a US ban on imports of shrimps caught with nets that can trap rare turtles.

"nation-by-nation" standards, which require the use of TEDs by all trawlers.

The CIT ruling will compel the US to return to nation-by-nation standards, said Peter Fugazzotto of the Sea Turtle Restoration Project, one of the groups which filed the case.

Environmental groups say the US can only provide real protection for turtles with TEDs.

Year 2000 alert for shipping

The Panama Canal is to insist that ships' computer-guided systems are Year 2000 compliant when they use the waterway at the beginning of next year.

POULTRY TRADE

Mexico puts pressure on US

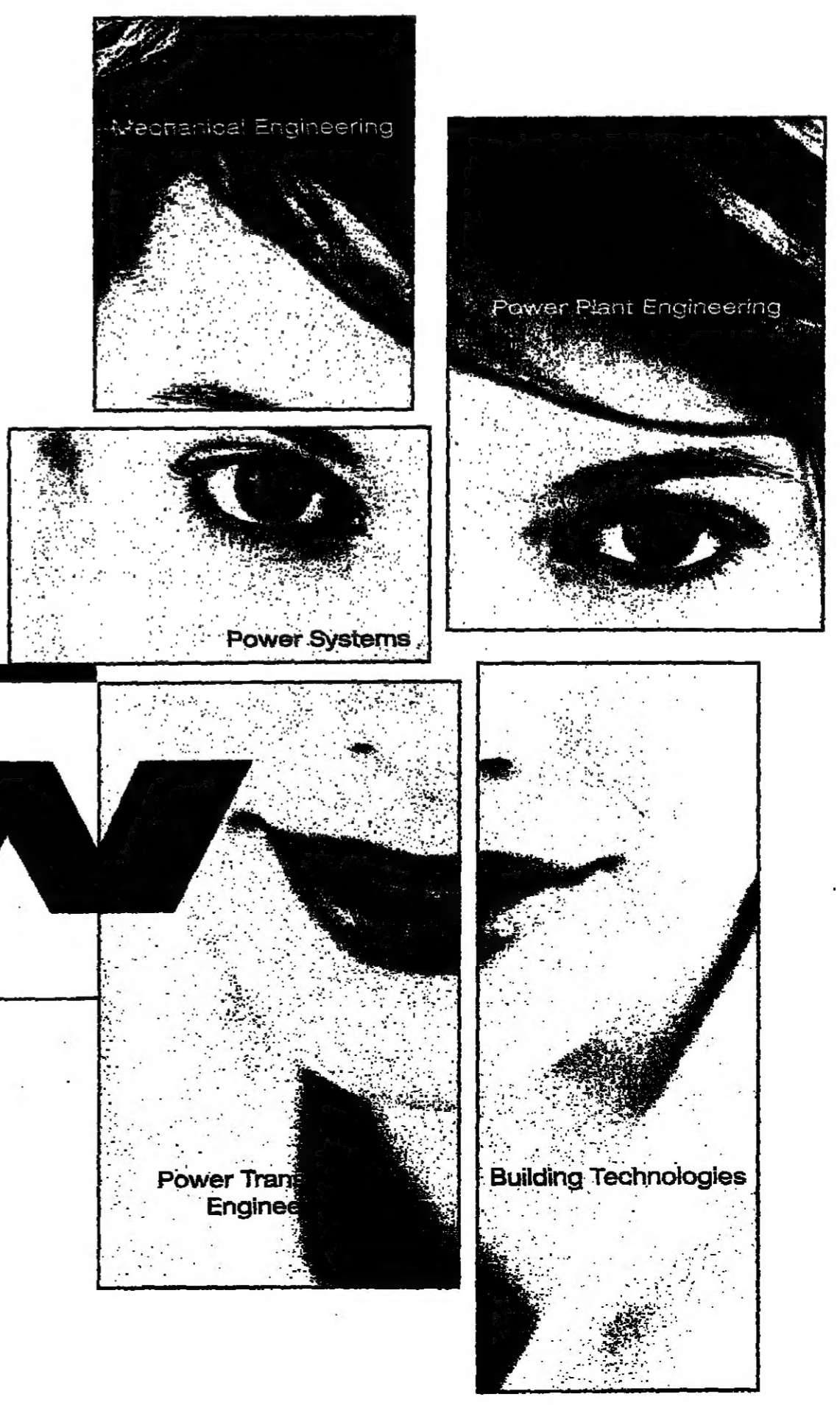
Mexico has imposed phytosanitary restrictions on US poultry products in a bid to pressure the US into opening its market to Mexican livestock.

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# China admits to 12,000 wrongful verdicts

By James Harding in Beijing

China yesterday offered an unusually frank assessment of the problems it faces implementing the rule of law, reporting 12,000 wrongful court judgments and prosecution of 7,000 judicial officials and law enforcement officers for bribery and abuse of power last year.

The show of transparency and self-censure in the Chinese legal system coincided with a statement from Beijing defending China's record on human rights.

The State Council (cabinet) released a 13,000-word report listing improvements in China's human rights situation in 1998, a riposte to the US move this week to criticise Beijing at the UN Human Rights Commission's annual meeting in Geneva.

The Chinese human rights report, carried by the official Xinhua news agency, said that millions of people had been lifted from poverty.

with Tibetans being given a greater role in government.

But Beijing did not mention the government's crackdown on the banned China Democracy Party at the end of last year.

Leading pro-democracy activists who set up the largely symbolic opposition party were given prison sentences of between 11 and 13 years at the end of 1998 on charges of seeking to overthrow the Chinese state.

China, which argues that

meeting the economic and social needs of its huge population must take priority over political rights, conceded it had its faults but called for dialogue rather than confrontation on human rights: "The Chinese government is willing to learn from other countries' useful experience in promoting human rights".

On Monday, the US criticised China for continuing to harass and detain democracy campaigners.

Frank Loy, US under-secretary of state for global affairs, told the UN human rights body that, while there had been improvements, "a huge amount of progress remains to be made".

The mishandling of legal cases also reported yesterday was intended to show how China has "strengthened human rights protection efforts in every aspect of law enforcement".

China had nearly 1,500 cases involving illegal cus-

tody, forced confessions, retaliations or frame-ups, the official statement said. Government departments have also granted compensation to 161 litigants involved in mishandled cases and redressed excessive periods of detention in 729 criminal cases.

Courts had re-examined 4,566 cases altogether, finding misjudgments in some 12,000 cases. More than 11,600 cases had been corrected.

Indonesia yesterday called for a ceasefire and offered to mediate in East Timor, where an escalation of violence between proponents and opponents of independence has threatened plans for a vote on the issue.

Alli Alatas, foreign minister, leaving a meeting with President B.J. Habibie, said a commission of officials and Timorese faction leaders would be formed to negotiate an end to hostilities and allow for a vote on an autonomy proposal drafted by Jakarta. Mr Habibie has vowed to let East Timor secede if the offer is rejected.

Clashes, some involving Indonesian military, escalated after a massacre of pro-independence activists in the town of Liquica and a subsequent call to arms by Jose Alexandre "Xanana" Gusmao, the jailed rebel leader.

Diplomats in Jakarta believe Indonesia's military has participated in attacks on pro-independence groups in an effort to sabotage talks between Mr Alatas and Jaime Gama, his Portuguese counterpart, in New York on April 22.

Separately, Aspar Aswin, West Kalimantan governor, said yesterday that thousands of people who had fled ethnic violence in Indonesian Borneo would be relocated.

More than 30,000 people who had fled to the provincial capital Pontianak from the Sambas region, about 875 km (545 miles) north of "will be relocated to an island near Pontianak", he said. Sander Thoanes, Jakarta

## NEWS DIGEST

### CEASEFIRE URGED AS VIOLENCE GROWS

#### Indonesia offers to mediate in East Timor

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### FIXED-LINE SERVICES

#### Taiwan drafts telephone rules

Taiwan has drafted rules under which local and international firms can bid to operate fixed-line telephone services, ending the state's monopoly, the telecommunications regulator said yesterday. Under the draft rules, which still need ministerial approval, bidders must have paid in capital of T\$40bn (US\$1.2bn). Some potential bidders had complained that the capitalisation requirement was too high and proposed halving it to T\$20 billion.

Some analysts say it is difficult to say how much the market is worth, and it could take up to 10 years to break even. However, they add, the market has the potential to be highly lucrative. Reuters and Mure Dickie, Taipei

### TOO EARLY TO SAY RECOVERY IMMINENT

#### Japan's economic slide halted

Japan's economic slide has halted but it is too early to say that a recovery is imminent, the Economic Planning Agency said yesterday. Its monthly report, echoing comments last month, said: "As private demand is weak, the economy remains in an extremely severe condition. But, supported by various government policy measures, it is stopping its decline."

The agency gave a slightly improved view of housing investment and financial market conditions but was more negative on jobs.

Takashi Omorii, head of domestic economic affairs at the agency's research bureau, said the main prop supporting the economy continued to be the government's huge public works projects, and their effects would last at least until autumn.

The Bank of Japan mirrored the EPA's view. Reuters, Tokyo

### WATER-SHARING AGREEMENT WITH INDIA

#### Bangladesh faces shortage

Bangladesh may run short of water at the end of this month because of the water-sharing arrangement with India for the Ganges river, Abdur Razzak, flood control and water resources minister, said yesterday.

Unless it rains the Indians will not be able to fulfil their quota for water under the deal implemented 18 months ago. Mr Razzak said following a meeting of the Joint Rivers Commission in New Delhi at the weekend.

Farmers in some areas of Bangladesh already say that crop yields may be down 10 to 12 per cent because of a shortage of irrigation water. But Mr Razzak said India had also agreed to share the water of a second river, the Teesta, and six other rivers. David Chazan, Dhaka

### BJP believes it will survive vote

By Mark Nicholson in New Delhi

India's ruling Bharatiya Janata party said yesterday the government could scrape through a tight vote of confidence if, as appears likely, a coalition partner carries out its threat to withdraw support.

Such a vote could swiftly follow tomorrow's resumption of the budget session of parliament if J.Jayalitha, the movie starlet turned politician, formally withdraws the backing of the 18 parliamentarians in her Tamil Nadu-based AIADMK party.

The colourful and politically steely Ms Jayalitha flew into Delhi on Monday from her south Indian base, complete with 46 suitcases, promising to meet opposition politicians and "find a good and viable alternative to the present government".

Her threat, though merely the latest in a series since she helped form India's coalition government a year ago, poses the most serious threat yet to the frequently fractious BJP administration.

After Ms Jayalitha failed to persuade Atal Behari Vajpayee, prime minister, to sack George Fernandes, defence minister, and set up a parliamentary inquiry into Mr Fernandes's recent dismissal of India's navy chief, she withdrew her party's ministers from the coalition cabinet.

Earlier demands have included that the BJP sack the incumbent Tamil Nadu state government, her chief political rival.

Analysts in Madras, the

state capital, say Ms Jayalitha's current moves spring from frustration that the BJP has not met all such demands in the past year. "Since the BJP is not seen to be obliging, she's decided it's time to bring them down," said Cho Ramaswamy, a political analyst in the city.

Yesterday, from a base in Delhi's five-star Maurya Sheraton hotel, Ms Jayalitha began a series of political meetings which are likely to include Sonia Gandhi, leader of the Congress party, and K.R. Narayanan, India's president.

Ms Jayalitha and Mrs Gandhi, who is seeking to rebuild India's oldest party into a resurgent political force, last week shook hands at a highly publicised Delhi "tea party", a gesture of reconciliation the Tamil leader described as symbolising an imminent "political earthquake".

Congress, the second biggest party in parliament, has since remained publicly coy about building any future and alternative coalition with Ms Jayalitha, with whom it has been an ally in the past.

However, BJP officials claimed the government could soldier on without Ms Jayalitha's 18 MPs, even given its already slender parliamentary majority.

"We have enough support, we will demonstrate it as and when questioned," said Venkatesh Naidu, party spokesman. "We are getting positive indications of support from parties that want a stable government for this country."

## Malaysia tones down rhetoric in face-off with Singapore

Tensions have given place to sharing in today's defence exercises, writes Sheila McNulty

Malaysia and Singapore today launch joint defence exercises that represent a sharp turnaround from last year, when it seemed they were aching to fight each other.

The exercises are to be conducted in the context of the Five Power Defence Arrangements (FPDA), suspended last year when Malaysia started its four partners by withdrawing from regular exercises in August saying it would reassess its membership.

Kuala Lumpur gave the economic crisis as the reason; diplomats felt sure that its insecurity compared with Singapore, which has fared better throughout the crisis, was a factor.

Malaysia cited tensions with Singapore over a long list of disputes, ranging from Malaysia's refusal to close a railway station on Singapore's territory to Singapore's refusal to loosen curbs on the release of money Malaysian workers contribute to Singapore's national pension fund.

Malaysia even went so far as to seize control of airspace it had shared with Singapore for decades.

With the administration of Mahathir Mohamad under pressure after the sacking of Anwar Ibrahim, his popular deputy, analysts say he used Singapore as a bogeyman to stoke nationalism and rally support.

Diplomats believe Singapore heightened its guard when relations were most strained, though Goh Chok Tong, its prime minister, denied that in an interview, playing down the significance of recent efforts to upgrade its armed forces.

Singapore took another big step early in the economic

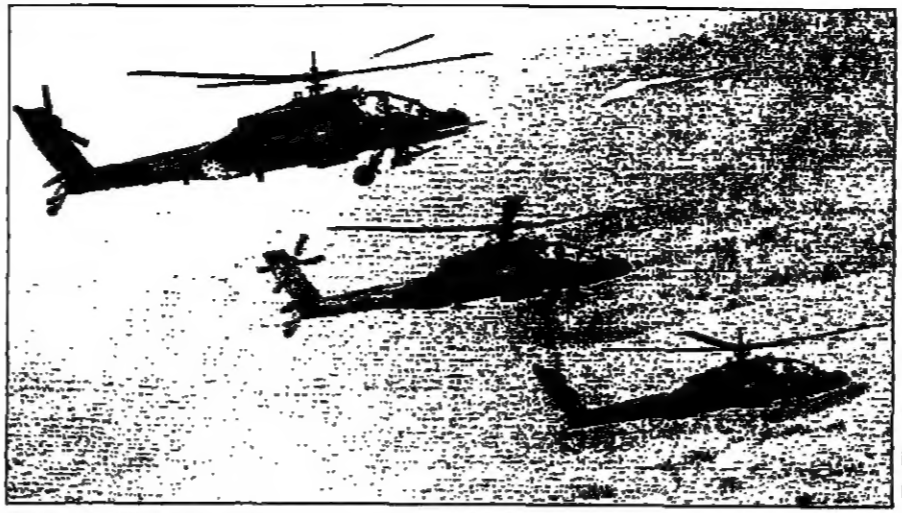
In March, Singapore agreed to buy eight US-made Apache attack helicopters and shipped eight jet aircraft to France so his pilots could train in Europe.

"We have a philosophy of constant expenditure every year," Mr Goh said. The defence ministry tries to keep it to about 5 per cent of gross domestic product, which for 1998-99 amounted to S\$7.5bn (US\$4.3bn).

"Equipment has to be replaced every year, so there is a cycle for replacing aircraft, ships and so on. If we haven't got the funds, we'll not be replacing them. Since we have the funds, the programme of replacing them carries on."

Not only do such regular purchases keep Singapore prepared, but its numerous training missions abroad serve to tie in foreign countries to the defence of the city-state's 3m people.

Singapore took another big step early in the economic



Singapore agreed to buy eight US-made Apache attack helicopters in March. AP

crisis when it offered the US naval berth facilities.

Teo Chee Hean, second defence minister, said Singapore had long believed the US presence in the Asia-Pacific region was vital for stability.

Diplomats say security relations between Singapore and the US are growing better. Malaysia meanwhile, is strengthening ties with Russia. They were reported to have signed a pact this

month to increase defence co-operation.

Abdullah Fadzil Che Wan, Malaysia's deputy defence minister, told the local media that the country was being forced to cut weapons purchases and production by up to 30 per cent because of the economic recession.

Last year's budget set aside M\$8.73bn (US\$2.3bn) for security and defence. The Defence Ministry was also reducing the intake of regu-

lar soldiers to focus on building voluntary units.

But despite being forced to admit it is cutting back while Singapore forges ahead, Malaysia has toned down its rhetoric against its neighbour.

Abang Abu Bakar Abang Mustapha, defence minister, says Malaysia takes seriously the FPDA exercises and wants to build them into its defence strategy. So this year's games will go on.

## Malaysia prepares for Anwar verdict

By Sheila McNulty in Kuala Lumpur

Malaysian police armed with batons took up position last night around the High Court in Kuala Lumpur, where a judge is to announce his verdict today in the politically charged case of Anwar Ibrahim, the sacked deputy prime minister.

A truck mounted with a water cannon was parked nearby to break up any demonstrations. But as dusk turned to darkness, the tens of thousands who had taken to the streets in protest after Mr Anwar was sacked for being "morally unfit" to succeed Mahathir Mohamad as prime minister were nowhere to be seen.

The mass rally and subsequent candlelight vigil his supporters had announced would begin before sunset did not materialise until close to midnight, and even then only 300 people turned out.

They appeared suddenly on a back street behind the courthouse and, away from the police, lit candles and unfurled a long banner of pro-democracy slogans, including "Free the People".

As they chanted reforms, or reform into megaphones, a dozen police moved in to break them up. The protesters marched away down the street and those driving by honked their support.

While the crowds have thinned, the impact of Mr Anwar's saga on the people of Malaysia remains significant. His beating in detention by Abdul Rahim Noor, who was then chief of police, and the charges of committing sexual misdeeds and abusing his power to conceal them subsequently filed against him have awakened the consciousness of what for years had been a largely apolitical people.

Mr Anwar insists the charges are part of a political conspiracy to keep him from challenging the 18-year reign of Dr Mahathir. The case has divided the nation and split Dr Mahathir's ruling UMNO party while emboldening the normally cautious opposition to speak out aggressively against the administration.

But how much of a role Mr Anwar can personally play in continuing the people's political education will depend on the verdict. He has so far been tried on four counts of abuse of power, each of which carries a maximum penalty of 14 years in jail and a M\$20,000 (US\$6,280) fine. Mr Anwar says he expects to be sent to jail for two to four years. Six more charges are pending.

Japan's economic slide has halted but it is too early to say that a recovery is imminent, the Economic Planning Agency said yesterday. Its monthly report, echoing comments last month, said: "As private demand is weak, the economy remains in an extremely severe condition. But, supported by various government policy measures, it is stopping its decline."

The agency gave a slightly improved view of housing investment and financial market conditions but was more negative on jobs.

Takashi Omorii, head of domestic economic affairs at the agency's research bureau, said the main prop supporting the economy continued to be the government's huge public works projects, and their effects would last at least until autumn.

The Bank of Japan mirrored the EPA's view. Reuters, Tokyo

India's ruling Bharatiya Janata party said yesterday the government could scrape through a tight vote of confidence if, as appears likely, a coalition partner carries out its threat to withdraw support.

Such a vote could swiftly follow tomorrow's resumption of the budget session of parliament if J.Jayalitha, the movie starlet turned politician, formally withdraws the backing of the 18 parliamentarians in her Tamil Nadu-based AIADMK party.

The colourful and politically steely Ms Jayalitha flew into Delhi on Monday from her south Indian base, complete with 46 suitcases, promising to meet opposition politicians and "find a good and viable alternative to the present government".

Her threat, though merely the latest in a series since she helped form India's coalition government a year ago, poses the most serious threat yet to the frequently fractious BJP administration.

After Ms Jayalitha failed to persuade Atal Behari Vajpayee, prime minister, to sack George Fernandes, defence minister, and set up a parliamentary inquiry into Mr Fernandes's recent dismissal of India's navy chief, she withdrew her party's ministers from the coalition cabinet.

Earlier demands have included that the BJP sack the incumbent Tamil Nadu state government, her chief political rival.

Analysts in Madras, the

state capital, say Ms Jayalitha's current moves spring from frustration that the BJP has not met all such demands in the past year. "Since the BJP is not seen to be obliging, she's decided it's time to bring them down," said Cho Ramaswamy, a political analyst in the city.

Yesterday, from a base in Delhi's five-star Maurya Sheraton hotel, Ms Jayalitha began a series of political meetings which are likely to include Sonia Gandhi, leader of the Congress party, and K.R. Narayanan, India's president.

Ms Jayalitha and Mrs Gandhi, who is seeking to rebuild India's oldest party into a resurgent political force, last week shook hands at a highly publicised Delhi "tea party", a gesture of reconciliation the Tamil leader described as symbolising an imminent "political earthquake".

Congress, the second biggest party in parliament, has since remained publicly coy about building any future and alternative coalition with Ms Jayalitha, with whom it has been an ally in the past.

However, BJP officials claimed the government could soldier on without Ms Jayalitha's 18 MPs, even given its already slender parliamentary majority.

"We have enough support, we will demonstrate it as and when questioned," said Venkatesh Naidu, party spokesman. "We are getting positive indications of support from parties that want a stable government for this country."

Bangladesh may run short of water at the end of this month because of the water-sharing arrangement with India for the Ganges river, Abdur Razzak, flood control and water resources minister, said yesterday.

Unless it rains the Indians will not be able to fulfil their quota for water under the deal implemented 18 months ago. Mr Razzak said following a meeting of the Joint Rivers Commission in New Delhi at the weekend.

Farmers in some areas of Bangladesh already say that crop yields may be down 10 to 12 per cent because of a shortage of irrigation water. But Mr Razzak said India had also agreed to share the water of a second river, the Teesta, and six other rivers. David Chazan, Dhaka

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Analysts in Madras, the

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سكنا المجلد

# Algeria's Islamic party may be absent from the election but it is far from forgotten

It is seven years since its imminent election sparked Algeria's bloody civil conflict. Tomorrow no official Fis candidate is standing for president, but no candidate can ignore the party. Roula Khalaf reports

The Islamic Salvation Front is supposed to be dead and buried. The party whose Islamist ideology and populist message captured Algerians' feelings of discontent and threatened to sweep away the military-backed regime was banned more than seven years ago. Since then, the Fis has been demonised and blamed for much of the violence that has ravaged the North African country.

But as Algeria prepares to elect a president tomorrow, it finds the Fis is still the ghost at the banquet. The election is dominated by candidates calling for a political solution to Algeria's crisis, who favour in one way or another, inclusion of at least some of the former Fis members in politics. Even Abdelaziz Bouteflika, the former foreign minister seen as the army's candidate and the man most likely to succeed Liamine Zeroual as

president, says he is willing to talk to former Fis representatives, though he has no intention of rehabilitating the party.

Encouraged by the discourse, Fis leaders have seen in the election a chance to end their political marginalisation and are backing Ahmed Taleb Ibrahimi, one

of the most serious contenders. That the Fis remains a factor in Algerian politics only partly explains its return to the political arena.

Its weight on the ground is difficult to gauge. Mention the Fis in Algeria and you will get two very different reactions. One is a smile to say the Islamic Salvation Front is a martyr and

social frustrations bred in the one-party state. In the first round of legislative elections in 1991, the Fis won 47.6 per cent of the vote. But there were many abstentions and fewer than 25 per cent of those eligible to vote cast their ballot for the Fis. The second round of the vote was cancelled by the army.

Since then, the regime has dealt the Fis as a party

remains a fond memory as the only movement that dared to challenge the regime. The other is a sigh of relief that a party whose existence and ideology led to so much bloodshed can no longer threaten Algeria.

At the height of its popularity, the Fis was a nebulous movement which Algerian sociologist Lahouari Addi refers to as "a sentiment, a culture".

With charismatic leaders and a radical anti-regime rhetoric, it managed to capitalise on the political and

many blows. Its leaders are either in jail, under house arrest or banned from political activity. Its armed wing declared a ceasefire more than a year ago, and has received virtually nothing in return, in spite of promises of concessions by the regime. The truce was negotiated with the armed wing directly, bypassing the political leadership and it led to splits within the party.

Reopening dialogue with the Fis also is no longer the only prerequisite to national reconciliation in Algeria. Allowing some part of the movement to play a role in Algerian politics, again would be important to healing the political crisis and removing any legitimacy armed groups may claim for continuing the violence.

But even if the Fis were to form a political party, this alone would not end the killings by independent abadowy groups or substitute for a transition to democratic civilian rule.

"The debate over the Fis is a fake debate, the problem is now much broader than the Fis," says an official close to Mouloud Hamrouche, a lead-

ing candidate in the election. "Algeria needs an opening of the political system and an end to the emergency rule. Then, all those who deny violence should be allowed to express themselves, including those who were Fis supporters."

Indeed, it is in large part because of the failure to allow the emergence of strong opposition parties and to alleviate social mis-

ery that the Fis continues to haunt Algeria.

This was highlighted last week when the leadership of the main legal Islamist political party promoted as a docile alternative to the Fis lined up behind Mr Bouteflika in the election. The move was in part aimed at taking votes away from Mr Ibrahimi and Abdallah Djballah, another independent Islamist candidate.



An woman passes election posters in Algiers. Seven candidates are contending to give Algeria its first civilian leader since 1965. AP

The Fis has made a symbolic gain already by showing that even while banned it could try to influence the political scene and back a candidate. Some Fis representatives are now harbouring the hope that even if Mr Bouteflika is elected they would get something out of this poll. Having considerably mellowed, most no longer dream of a return to 1991, and would be happy to

form a new party under today's restrictive constitutional rules.

Whether the army command is ready for such a move is uncertain. But stripped of its populism and the leaders that moved the crowds, and having accepted that violence is not a viable alternative, a smaller, more moderate Fis is not likely to pose any threat to the Algerian regime.

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# Concern over emerging market rescue

By Richard Waters in New York

Any attempt to force private sector lenders to take part in official international bail-outs could stall the financial recovery of troubled emerging market countries, a group representing leading international banks and bondholders said yesterday.

Any such move would scare lenders away at the very moment when they were most needed by countries looking for a way to return to the international capital markets, said Charles Dallara, managing director of the Institute of International Finance.

His comments came as the organisation published its own thoughts on how the world's financial system could be made more stable after the turmoil of the two years. Its main recommendations: that it was up to individual countries to build better relationships with their foreign creditors and to reach voluntary, case-by-case resolutions to their private debt problems.

In an open letter to finance ministers and central bank governors ahead of this month's World Bank/IMF meetings in Washington, the IIF warned of the dangers of trying to "bail-in" private sector creditors in any official rescue package.

Such efforts would be "misguided" and "likely to jeopardise" a country's

access to the financial markets for some time, the group warned. It also repeated its opposition to efforts by the Paris Club of official lenders to force Pakistan to reschedule its private bond market debt.

The IIF claimed that it was not opposed in all cases to renegotiations of eurobond debt, particularly since such securities have come to represent a much large portion of the external debt of emerging market countries.

It added, though, that any such moves should lead to voluntary solutions like debt exchanges or refinancings.

"Ninety per cent of the flows [of new capital to the emerging markets] are coming from the private sector - it is impossible for the public sector to solve this on their own," said Bill Rhodes, vice chairman of Citigroup and the bank official who oversaw the recent voluntary agreements among international banks to maintain credit lines to South Korea and Brazil.

The lack of formal private sector debt restructurings during the emerging market crisis that has swept from Asia to Russia and Latin America has raised complaints in some official circles that private lenders have effectively been bailed out by the developed nations' taxpayers.

World Bank tensions, Page 16

# Early warning forum to meet

By George Strain, Banking Editor, in London

Regulators, central bankers and finance ministry officials are to gather in Washington today for the first meeting of the financial stability forum, a new body set up to improve co-ordination and act as an early warning system for financial market crises.

The meeting will be opened by Hans Tietmeyer, president of the German Bundesbank, who recommended the creation of the forum in a report for the Group of Seven finance ministers after last year's market upheaval.

The forum, whose creation was spurred by the turmoil that followed Russia's default on its domestic debt and the near-collapse of the Long Term Capital Management (LTCM) hedge fund, will subsequently be chaired by Andrew Crockett, general manager of the Bank for International Settlements (BIS).

"It would be wrong to consider the forum a crisis management mechanism. Its purpose is to contribute to a proper functioning of markets," Mr Tietmeyer told VWD, the German news agency.

Hedge funds will be one of the first items on the

agenda. Bank regulators meeting in the Basle Committee, under the auspices of the BIS, as well as securities regulators in the International Organisation of Securities Commissioners (Iosco), have been looking at ways of avoiding a repeat of LTCM's problems.

Though regulators are sceptical about regulating hedge funds directly, they have spelled out ways of ensuring that the regulated banks and securities firms which trade with them monitor their exposure to hedge funds more closely.

The forum's structure is already facing criticism, because it is limited to G7 countries and to international institutions such as the International Monetary Fund.

"Its success will depend on its moving very quickly to broaden participation beyond the G7 and involve major emerging market countries on an equal basis," said Alice Rivlin, vice-chairman of the US Federal Reserve.

"This is, of course, hard to do without making the forum unmanageably large, but unless a way is found to do so, the forum will be an anachronism before it gets started."

Personal View, Page 10

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BRITAIN

JOB'S BLOW FOR LABOUR PARTY POLL CAMPAIGN

Kvaerner puts Scottish shipyard up for sale

By Andrew Parker, Brian Groom and James Buxton
The governing Labour party suffered the first serious blow to its campaign for elections to the forthcoming Scottish parliament yesterday when the last merchant shipyard on the upper River Clyde was put up for sale.

Mr Dewar, announcing a government taskforce to assist the search for a buyer, said: "I don't know whether we will be successful. All I can say is we will give it our best shot. I heard somebody talking about the end of the Clyde. Not so. I would hope Govan will be part of it. But leaving that on one side, it's not the end of the Clyde."

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End of the shift: a shipbuilder leaves the Govan yard after working on the Crystal Ocean

Marine naval yard on the Clyde would be at "terminal risk" if the SNP won the election, on May 6. Mr Dewar insisted the Scottish Labour party would have the freedom to pursue policies opposed to those adopted by the UK Labour party. "If we decide to go our own way, and the essence of devolution is the ability to do that, then we are entitled to do so," he added.

fact that the Scottish parliament could drum up public support for elected regional government in England. He also acknowledged there could be a new assessment of public need across the UK in the medium to long-term, which might lead to a reduction in the Scottish parliament's £15bn (£24bn) budget.

Price war erupts in mobile phone market

By Christopher Price

A fresh price war erupted in the mobile phone market last night when One-2-One, the mobile phone network offered for sale last month, slashed call rates and simplified tariffs.

The company is also launching the industry's first e-mail service. Analysts said the price cuts of up to two-thirds on peak rate consumer calls would make One-2-One the cheapest network by around 20 per cent, ahead of Cellnet, Orange and Vodafone.

Orange said it was "very likely" to match One-2-One's tariffs but would issue a statement when it had studied the One-2-One move. "Tim Samples, One-2-One managing director, insisted the group's initiative was aimed at attracting fixed-line customers from British Telecommunications, the former state monopoly, rather than taking market share from the other mobile operators."

Battery recycling may interest Japanese

By Peter Marsh in London

A group of Japanese electronics producers is in talks with a UK technology company about recycling lithium-ion batteries, an energy storage device that is difficult to dispose of without creating environmental hazards.

ny's technique for recycling these batteries - worldwide sales of which are projected to reach about \$2bn this year. The rechargeable batteries are relatively light, small and powerful, making them suitable for new generations of mobile telephones, camcorders and computers. About 90 per cent of the batteries are made by Japanese companies, including those to which AEA is talking. In the past two years, AEA

- a quoted company formed from the previously state-owned UK Atomic Energy Authority's laboratories in Oxfordshire - has developed a UK pilot plant for recycling lithium-ion batteries. It is now keen to license the design to battery companies worldwide. AEA, which holds a number of patents on lithium-ion manufacturing technologies, is already building a £12m (£19.3m) plant in Thurso, Scotland, to make specialist versions of the devices, for use by organisations such as the armed forces. It is doing this in conjunction with two Japanese partners - Mitsubishi Materials and Japan Storage Battery - which between them hold 45 per cent of the venture with AEA owning the rest.

Rob Neat, managing director of AEA's battery business, said his company's recycling scheme was an advance on rival ways of recycling lithium-ion batteries, devised by research groups in Japan, the US and continental Europe. The AEA process uses a mixture of chemical and electro-chemical processes to separate constituents of lithium-ion batteries such as lithium salts, organic compounds and cobalt-based substances. These can be purified and re-sold at a profit, said Mr Neat.

Sinn Féin rejects terrorist arms proposals

By John Murray Brown in Dublin

The crisis in the Northern Ireland peace process deepened yesterday as Sinn Féin, political wing of the Irish Republican Army, formally rejecting compromise proposals on terrorist arms put forward by the British and Irish governments earlier this month.

As parties reconvened in Belfast, Northern Ireland's principal city, to discuss the joint declaration, Michael McLaughlin, Sinn Féin's chairman, accused the two governments of "a Pontius Pilate act" in "reneging" on its responsibilities to implement last year's Good Friday peace agreement. In the face of continuing stalemate, London and Dub-

lin had proposed that Sinn Féin could take its seats as ministers in the executive after some IRA arms were "put beyond use" as part of a collective act of reconciliation to honour all victims of the Troubles. Mr Mowlam, chief minister for Northern Ireland in the UK government, warned Sinn Féin and the pro-British Ulster Unionists that if they continued to "fight their own corner" the executive would not be set up. She said: "We can't impose an outcome. We will do everything we can to help but unless the parties realise that just fighting their own corner is not going to be enough, it's not going to work."

both sides agreeing. We are only going to move this forward if the pro-agreement parties make this work." But Mr McLaughlin said the proposed formula "moves away from the Good Friday agreement and makes the transfer of power and the establishment of the institutions conditional on the delivery of IRA weapons."

NEWS DIGEST

SHIPBUILDING

German yard bids again for QE2 refit contract

A German shipyard that refitted the QE2 in 1994 and led to what some passengers described as "the cruise to hell" is bidding to win another contract with the Cunard flag-ship, it was disclosed today. Hamburg's Blohm and Voss is one of three companies competing for the QE2 this November. Cunard paid out millions of pounds in compensation to passengers when the first transatlantic cruise following the refit resulted in numerous problems on board. There were complaints of dark brown water seeping out of taps and toilets, unfitted carpets and cables strewn around. But Cunard stressed today that it did not blame Blohm and Voss for the problems. Competing with the Hamburg company for the latest refit contract are Bremerhaven's Lloyd Werft yard and Southampton's A & P ship repair and conversion company, which carried out a successful £12m QE2 refit in 1996. A top design firm - Sweden's Tilberg Design - has been appointed for the interior design and refurbishment work.

BRUSSELS BEEF BAN

Experts examine abattoirs

European Commission veterinary experts are inspecting UK abattoirs this week as part of efforts by the European Union to lift a three-year ban on UK beef exports. EU agriculture ministers have already given political agreement for an end to the ban imposed after UK scientists identified a potential link between BSE - mad cow disease - and the new variant of Creutzfeldt-Jakob disease, the fatal human brain condition.

Exports cannot resume until the vets approve procedures for handling the meat. Administrative procedures mean it is unlikely that overseas sales can begin for several months. Mike Smith, Brussels

DIGITAL SATELLITE TV

BSkyB plans business service

British Sky Broadcasting, the satellite broadcaster, is talking to banks and retailers about offering them an exclusive business television service using digital technology. BSkyB has talked to Midland Bank and BHS, the retailer owned by Storehouse, about developing a specially tailored service for their customers and staff. It has also talked to representatives of the travel industry. Sky Business, a new division, will develop the project. The company announced yesterday that it was offering the 30,000 pubs and clubs that subscribe to its analogue service a free digital system. It said it would freeze the price of subscriptions for at least 12 months from September. BSkyB has previously alienated some pub owners by raising prices. Cathy Newman, London

BANKING

Competition review widened

The review of competition in the UK banking sector is to be widened to include electronic commerce and consumer issues. Don Cruickshank, leader of the review, said yesterday. He also indicated he would not be deflected from his two main areas of concern - the supply of credit to small businesses and the money transmission market - following the responses he had received to the consultation document launched in January. Although there would be "no major changes in the overall scope of the review," e-commerce and its inter-action with the money transmission market would be included. He said the review would continue to look at the supply of credit to small businesses, even though many submissions identified no problem. Christopher Brown-Humes, London

POLITICS

Local election battle starts

The biggest battle for local government seats before the next general election began in earnest yesterday, with the opposition Conservative and Liberal Democrat parties following Labour in launching their campaigns. There will be elections on May 6 in most of England, except London, and throughout Scotland and Wales. They are the most extensive polls of the four-yearly local government electoral cycle.

The Conservatives suffered their worst local government results in history when the seats were fought four years ago. Labour and the Liberal Democrats look certain to suffer losses in traditional Conservative areas.

But the Conservatives' continuing poor performance in opinion polls leaves party officials worried that insufficient gains could ignite doubts about William Hague's leadership. Alan Pike, London

SHAKESPEARE

Rose theatre relaunched

The Rose theatre beside the River Thames in London, which saw the premieres of plays by Marlowe and Shakespeare, is being re-launched 10 years after its discovery by archaeologists. The Rose has achieved global fame following the success of the Oscar-winning movie Shakespeare in Love. Many of its scenes took place in reconstructed Rose, acquired after filming by Dame Judi Dench, who won an Oscar for her role as Queen Elizabeth I. Visitors can stand on the spot occupied by the balcony and stare down at the stage area. An appeal launched yesterday by the Rose Theatre Trust hopes to raise £9m (£12m) to enable further excavation of the site and a better exposition for the public. Chris Smith, the chief heritage minister, was at the launch and indicated that an appeal viewed favourably. The Rose, put out of business around 1605 following the success of the Globe, has already yielded much information about the theatre in Shakespeare's day. Antony Thorncroft, London

UK commercial vehicle registrations: March 1999

Table with columns for Mar 1999, Mar 1998, Jan-Mar 1999, and Jan-Mar 1998. Rows include Total market, Imports, Specific vans up to 3.5 tonnes, and various vehicle types like Total, Imports, Ford, Mercedes Benz, etc.

Introduction of the 'T' registration plate on March 1 brought a big boost to the light commercial vehicle market. Registrations of light and medium vans - those up to 3.5 tonnes - in particular rose sharply. Birmingham-based LDV reported its best March ever.

Scientists face green transport test

By FT Reporters

Leading scientists will have salary increases of several thousand pounds if they use bicycles or buses to go to work. Scientific Generics, one of the UK's biggest technology consultancies, is offering to make the payments in a bid to reduce objections from local residents to the extra traffic generated by its expansion.

The company, based 13km outside the university city of Cambridge, said it would make the payments if it was allowed to proceed with its £25m (£38m) plan. The expansion would involve doubling the number of employees to 400.

But local environmental groups dismissed the proposals. The Green party said: "Giving the company planning permission would still be detrimental to the environment on balance. There's no guarantee that people would take up the company's offer."

A spokesman for John Prescott, deputy prime minister, said he welcomed any scheme to reduce car use, but any planning decision would have to take into account all circumstances.

But the proposal fits with Mr Prescott's efforts to encourage cycling, and integrate planning and transport decisions. Scientific Generics' scheme would include car-sharing in which employees would be linked, via their computers, with software that works out where colleagues are going and what time they are leaving. The company could also buy bicycles for employees while a fleet of minibuses, monitored by satellites, could also be deployed. The company has sales of £18m a year, with many clients in continental Europe.

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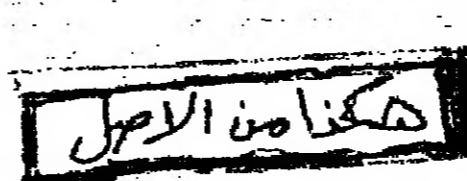
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COMMENT & ANALYSIS

# Wolf at the door

Robert Chote reports on the tension between the World Bank and its president, James Wolfensohn

**R**elations between the World Bank and its presidents have often been choppy. But even by previous standards, the past few weeks have been gruelling for James Wolfensohn, the Bank's chief. As well as threats to the institution's financial standing and the departure of key aides, he has found himself in a shouting match with his board of directors over the future of the organisation.

When finance and development ministers hold their spring meetings in Washington in two weeks time, there will be some blunt questions for Mr Wolfensohn to answer: Is the expensive reorganisation of the Bank he launched two years ago delivering results? And does he have a convincing vision for the Bank's future role?

Half the \$250m earmarked for internal reorganisation at the Bank has now been spent, and Mr Wolfensohn has promised to cut running costs by \$50m next year and a further \$50m in fiscal year 2001 - a reduction of 10 per cent in real terms.

The strain on the Bank's \$600 staff is already showing. Job insecurity has dented morale; 385 staff have been made redundant already and management is seeking authority to remove another 250. Job insecurity has already also meant that the Bank's complicated "matrix management system" has worked less well than it should. So has the "internal market" budgeting process, through which different parts of the bank buy services from each other.

"I had seen the world before coming here and the Bank's process is the worst I've found," one despairing manager told the staff association. "This is the only institution where everybody is charging everybody else. We count the same money many times over."

When the budget begins to shrink in the summer, managers fear that the quality of analysis and advice will suffer. Outsourcing and job cuts may intensify. Departments might no longer get the service they require from other parts of the Bank. And long-term planning could be sacrificed to keep day-to-day work on track.

"Given the expanding needs of our clients - and their increasing demands on

us - one could argue that this is the time to invest more in the Bank, to make even more resources available, not less," Mr Wolfensohn has told his board.

But the bank's executive directors, who represent its 181 member governments, are in no mood to give him extra cash. They recently forced Mr Wolfensohn to withdraw a small but significant request for \$13.3m to meet a budget overrun for the renewal of information technology systems.

"It is certainly possible that the shareholders will be persuaded that the Bank's budget can rise again in real terms," argues one board member. "But we must meet - or show that we can meet - the 2001 target. Without that, the management has no credibility."

The relationship between Mr Wolfensohn and his board, wary at the best of times, is unusually strained. The latest flashpoint was a discussion of the so-called "Comprehensive Development Framework" - Mr Wolfensohn's grand plan to re-define the Bank's strategic direction.

He claims that "the CDF suggests a broader, more

holistic, and longer-term approach to development". It involves setting up a matrix for each country, which allocates a comprehensive list of policy areas (everything from sewerage to judicial systems) to a number of development players (government, civil society, bilateral donors and multilateral organisations). Mr Wolfensohn believes this will identify gaps and prevent duplication.

Most directors support the principles of the framework, but are nervous about implementing it. Some believe Mr Wolfensohn has simply reinvented the wheel. A few are worried that it will be used as an excuse for expansionism as the Bank tries to fill every gap itself. Doubts about Mr Wolfensohn's plan intensified when Marianne Haug, the official in charge of developing the CDF, suddenly resigned, apparently concerned about the details of implementation.

When the board put their concerns about the framework at a meeting last month, Mr Wolfensohn erupted. Blaming the directors for shortsightedness, he said he had personal backing for the idea from several

European heads of government. And invoking the memory of Yehudi Menuhin, the virtuoso violinist who had died shortly before, Mr Wolfensohn complained that he, too, had an artistic vision which deserved better than to be met with 182 petty-fogging questions.

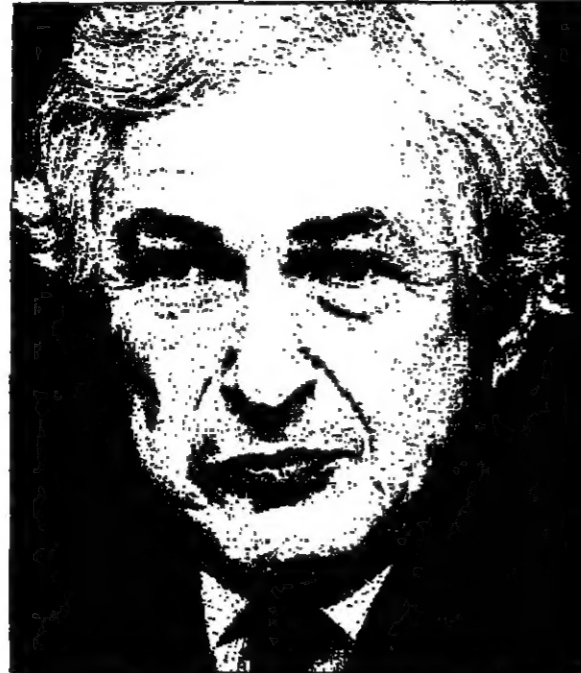
Mr Wolfensohn's outbursts are not uncommon, but advisers concede this was his worst flare-up yet. Board directors were enraged by the discovery that the CDF's "holistic" approach was already being applied in Bolivia, complete with an apparent delegation of budget authority that they had not been told about. But Mr Wolfensohn was in no mood to be conciliatory.

Most directors expect this storm to blow over, like others before it. "Jim just does not understand the board," one director says, pointing to Mr Wolfensohn's background as an investment banker, rather than an international bureaucrat. "And we will never be the sort of board he would like. Most people think he is doing a good job, although we all bring lists of hang-ups and frustrations."

It remains to be seen what happens as a result of these frustrations. Mr Wolfensohn will be keen to ensure that the Bank does not lose out to the IMF in any reforms to the "architecture" of the global financial system. But, with the crises in emerging markets contained, if not resolved, it now seems less likely than it did last autumn that he will press ministers for a politically contentious increase in the Bank's capital base.

The spring meetings will at least give Mr Wolfensohn the chance to showcase the changes he has instilled at the Bank. He will argue that the quantity and quality of the Bank's lending are both increasing. Disbursements are expected to reach \$23.7bn in the fiscal year to June, up from \$24.9bn last year.

Emerging market rescue packages explain much of



Wolfensohn: 'This is the time to invest more in the Bank'

the increase, but the Bank is also getting more bang for its buck. Mr Wolfensohn's re-organisation (known as the "Strategic Compact") has raised the share of loan projects rated "satisfactory" by the Bank's in-house watchdog to 80 per cent from 71 per cent two years ago. Other quality measures have risen too, in effect adding \$4bn to the real value of the Bank's lending.

Meanwhile the Bank has devoted more effort to financial sector reform, stepped up its anti-corruption work and provided emergency help for hurricane victims in Central America. Clients also welcome the fact that 23 of the Bank's 51 country directors have been moved out of its Washington headquarters and into the field.

On the financial side, the Bank has secured pledges of nearly \$12bn to finance soft loans for poor countries over the next three years. New terms for lending to middle-income countries have put the Bank's finances on a sounder long-term footing. And higher-priced loans for crisis countries will give the Bank net income of \$1.3bn to spend next year, \$330m more than the Strategic Compact proposals had assumed.

"In terms of meeting our clients' needs, we have done much more than was ever anticipated under the Compact - with unprecedented levels of lending, disbursements and advisory services," Mr Wolfensohn has told the board. "Our focus on poverty reduction is stronger, and our development effectiveness is greater - by almost every measure."

But can it last? One fear is that the Bank's triple-A rating ("Bananas, beef and peaches") is highlighted in US Congress to fund disaster relief for Central America with money previously pledged to back the Bank's loans. Mr Wolfensohn must hope that Robert Rubin, the US Treasury secretary, will carry out his threat to veto the scheme.

For now, the results of Mr Wolfensohn's shake-up carry more weight with governments than concerns about the future of the institution. But with budget pressures perhaps now posing a threat to the recent improvements in the Bank's performance, it remains to be seen for how long he will be given free rein to pursue his vision.

## LETTERS TO THE EDITOR

### EU's data protection directive provides a satisfactory framework

*From Mr Graham Wood.*

Sir, The current debate between Europe and the US regarding privacy is not assisted by Amital Etzioni's article "Protecting privacy" (April 9).

Mr Etzioni begins by stating that the new European Union Data Protection Directive requires "company use of personal information be preceded each time by the explicit consent of the person involved". This is not correct.

The First Principle of the new directive clearly details those areas where consent is not necessary. These include the processing of information necessary for the performance of a contract and for the taking of steps at the subject's request with a view to entering into a contract. This provides companies with more than enough rights to carry out their obligations to customers.

While the use of personal information thereafter is subject to the consent of the individual it is entirely erroneous to give the impression that every little thing requires a letter to be sent to that person. For example, I have a loyalty card with a supermarket and have given my permission that they may use that data for their internal purposes and may sell that data on. It would be hard to argue that a regime that allows this is either overly restrictive or onerous.

Mr Etzioni is correct when he states that powerful computers and software mean that more detailed information can be kept on individuals. As the digital age progresses this will become an increasing problem due to a variety of issues, such as incorrect or out of date information.

The advance of technology also creates business opportunities as companies will increasingly be valued on the basis of their ability to handle and accurately manipulate data of all kinds, including personal information.

There is, therefore, a commercial requirement to limit access to personal data in addition to a very real need to protect the individual.

It is foolish to claim that there is only one way of achieving the desired result in this area as this presupposes we all want the same thing. Different cultures will have different aims and methods.

It is my belief that, while it is not the only model, the new directive provides an appropriate structure within which society and business should work for the foreseeable future. However, with a technology that changes by the week, I could not say that this will be true 10 years from now and I would hope Mr Etzioni would concur from a US perspective.

This makes arguments as to who is "right" or has the "best system", somewhat sterile.

Graham Wood, partner, Cobbe, Ship Canal House, Manchester M1 4WB, UK

### Wasteful support behind the problems in canned peach and pear industry

*From R.D. Taylor.*

Sir, Your readers should not be misled by the comments in your April 7 edition ("Bananas, beef and peaches are highlighted in grocery 'war'") by a European Union official about the causes of problems in the global canned peach (and pear) industry.

The overwhelming cause is the exceptionally high and wasteful support, even by EU standards, provided by the EU to growers and processors of canned peaches.

This reached almost 80 per cent (for growers) and in excess of 20 per cent (for canners) of the value of production in the mid-1990s. This is much higher than for other sectors, such as pig farmers (9 per cent), wheat farmers (36 per cent) and even dairy farmers (54 per cent).

As a result, Greek production has almost quadrupled since 1980. The problem is not confined to Greece or to peaches: canned pears also receive high levels of support.

This has caused significant problems for unsubsidised growers and canners in countries such as Australia. Despite some recent reforms, taxpayers in the EU continue to see their money wasted on growing more fruit than is needed, with consequent environmental problems.

In addition, there is the problem of fraud, as the European Court of Auditors found.

The Australian industry, together with colleagues in such countries as Chile, Argentina, South Africa and the US, has developed proposals that would provide an interim solution with benefits for growers in the EU and elsewhere.

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#### PERSONAL VIEW HOWARD DAVIES

### A forum for stability

At a meeting today in Washington, the world's many financial supervisors and regulators should discuss closer co-operation to prevent future crises

**T**oday sees the first meeting, in Washington, of the Financial Stability Forum. This brings finance ministries, central banks and regulators from the Group of Seven leading industrial countries together with international financial institutions and regulatory organisations. How thrilling, you may politely observe. Surely there are meetings like this every day of the week?

But it would be wrong to be too cynical. The forum is the place for working out ideas that have been gestating since the Asian economic crisis and last summer's Russian default.

Why did the Asian crisis, which began in Thailand in July 1997, come as such a surprise? Why did what might have been a healthy market correction at a time of over-rapid growth turn into a spiralling regional collapse of confidence and reveal fundamental weaknesses in the financial systems of the affected countries?

There were no easy answers to these questions. Some argued for radical reform of the international financial architecture. For a time it seemed as if some kind of global design competition had been launched, in which the creative departments of every finance ministry (if that is not an oxymoron) put in their bids. There were calls for the merger of parts of the International Monetary Fund and World Bank, and even for a global financial authority.

These ideas, or some of them, may have merit. But the more ambitious reformers stubbed their toes on the near-impossibility of reaching global consensus on the need for new institutions.

So the focus shifted (appropriately, in my view) away from the architecture and towards the plumbing. How could the linkages between the different participants be improved to provide more timely early warnings of impending trouble, help prevent future crises and orchestrate more effective responses to them?

From the perspective of a regulator in a large developed market, one prime need seems to be to upgrade the quality of supervision in countries where it has been shown to be wanting. There are agreed international codes of practice setting out the principles of banking, securities and insurance supervision, and most countries are nominally signed up to them. But there is no effective means of enforcing those standards, or of policing their implementation.

The regulatory trades unions, the Basle Committee, Iosco (which brings together the world's securities regulators) and others cannot discipline their voluntary members.

A single regulator covering the whole financial sector, such as the one we now have in London, and one which oversees the activities in the City of institutions from many countries, sees these gaps particularly clearly.

And we see another problem, too. The Financial Services Authority is the main regulator in a large developed market, one prime need seems to be to upgrade the quality of supervision in countries where it has been shown to be wanting. There are agreed international codes of practice setting out the principles of banking, securities and insurance supervision, and most countries are nominally signed up to them. But there is no effective means of enforcing those standards, or of policing their implementation.

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A single regulator covering the whole financial sector, such as the one we now have in London, and one which oversees the activities in the City of institutions from many countries, sees these gaps particularly clearly.

And we see another problem, too. The Financial Services Authority is the main

**We need to look for trouble more systematically than before, and to ensure that we monitor compliance with standards in all financial sectors**

We have a particular version of this problem within Europe. In the euro-zone, regulation is conducted largely at the national level, though cross-border groupings are developing apace. So, looking ahead, some people worry that these groups could one day be without an identifiable national base. In my view, one should not be pessimistic about this. In the EU, habits of co-operation between supervisors develop rapidly to adjust to market changes, the single market provides a common regulatory framework, and information between regulators flows well. All the same, this co-operation still needs hard work.

More difficult problems are posed by internet commerce and by cross-border

business from less well regulated jurisdictions: offshore centres and others. So we certainly need a step change in the intensity of international regulatory collaboration.

This was part of the thinking behind last October's proposal by Gordon Brown, the chancellor, to consider the need for a new body to improve co-ordination. Hans Tietmeyer, the president of the Bundesbank was asked to assess whether the case was made, and his report to the Cologne meeting of finance ministers in February argued that indeed it was. Today's meeting of the Financial Stability Forum, chaired by Andrew Crockett, the BIS's general manager, is the outcome of that process.

There is no shortage of suitable cases for treatment. We need to look for trouble more systematically than before, and to ensure that we monitor compliance with standards in all financial sectors. The different groupings of regulators have, in their various parts of the forest, been trying to address the problems posed for financial systems and financial regulation by highly leveraged institutions (a more appropriate term, we think, than hedge funds). Nowhere is this work brought together. The forum could be the right place.

Similarly, all the groupings of regulators have been wrestling with the problem of how to spread best regulatory practices to offshore financial centres. But that requires political support, and a better constructed portfolio of carrots and sticks than we now have available.

With markets in the west hitting new highs and recovery under way in a number of Asian economies, it is easy to forget the dramatic market volatility of 1997, and the near-meltdown of last September. So now, before the memories fade, is precisely the time to begin planning our response to the next crisis.

The author is chairman of the UK's Financial Services Authority

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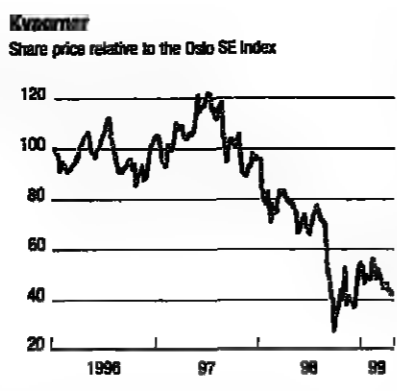
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STATE TO LAY OFF ANOTHER 7M AND FURTHER 26M LOOK TO GOVERNMENT FOR PENSIONS

THE LEX COLUMN

Non-stop shop

Welcome to the "shop until you drop" economy: while consumers are doing the shopping, inflation is doing the dropping...



accounting for around 20 per cent of group revenues. Is proof Mr Almskog means business. With 10,000 employees in 13 yards, Kvaerner is one of the world's largest shipbuilders...

Kvaerner

Kvaerner's new chief executive - parachuted in from ABB to reverse a decade of empire-building - has a plan that, on paper at least, can save the Anglo-Norwegian group from its creditors...

Barclays

Oscar Wilde's Lady Bracknell would not have been amused. To lose one chief executive might be bad luck, but two within six months smacks of carelessness...

costs, after last year's worrying 5 per cent uptick. It is also reining in Barclays Capital, which should boost the investment bank's anemic returns.

However, it should not dawdle in finding a successor. With European banking in turmoil, a seasoned hand on the strategic tiller is needed.

Laporte/Clariant

Swiss secrecy is renowned, but Clariant must be setting records. Laporte, a UK chemicals rival, acknowledges a takeover approach. It is widely known this approach comes from Clariant.

China's welfare system set to come under huge strain

By James Harding in Beijing

China's state welfare system is set to come under unprecedented pressure this year, as state enterprises lay off another 7m workers - 1m more than last year - and a further 26m people turn to the government for their pensions.

quoting yesterday as saying: "Taking better care of laid-off workers and further expanding coverage of the pension system are being given priority by the ministry."

His comments, published in yesterday's China Daily, reflect concern in Beijing over rising dissatisfaction among workers and pensioners in the state sector.

Many have not been receiving full or prompt payment of their salaries and pensions.

Earlier this month, a trade union leader at Capital Iron and Steel in Beijing, one of China's largest and best-known industrial state enterprises, said tens of thousands of workers had not been paid for more than two months.

Official figures show urban unemployment at 3.1 per cent at the end of 1998, with 11.5m people out of work. Officials have said a high pro-

portion of employees laid off by the state sector have found employment. But many economists still believe the number out of work is far higher, particularly if workers laid off from state enterprises but still on the company books are included.

Under the government's plan to assist state sector lay-offs, the state, the unemployment insurance fund and state enterprises will together meet the costs of a monthly allowance of Rmb140-380 for a maximum of three years for a laid-off worker who enrolls at a re-employment centre.

Separately, statistics released yesterday added to what is becoming an increasingly mixed picture of the economy in 1999.

After reporting a 7.9 per cent fall in exports and a 59.8 per cent decline in the trade surplus in the first quarter of this year, China announced yesterday its foreign exchange reserves rose slowly but steadily by \$1.67bn in the first quarter of 1999 to \$146.63bn.

Continuing with Microsoft, Page 5

Trade talks run-up threatened by WTO leadership dispute

By Frances Williams in Geneva

A stalemate in the tussle over its leadership is likely to force the World Trade Organisation to miss another deadline today as it seeks to replace Renato Ruggiero, WTO director-general, by the end of the month.

The deadlock has raised fears that the WTO may find itself rudderless as it prepares for global trade talks, scheduled for the end of the year in the US.

Supachai Panitchpakdi, the Thai deputy premier, is pitted against Mike Moore, the former New Zealand premier, for the top job in world trade regulation.

to announce that neither candidate commands the necessary consensus.

Mr Supachai's backers claim 80 countries have pledged support for him, including most of those in the Asia-Pacific region and the Middle East.

They also claim to have the support of most African nations, half or more of European, Central American and Caribbean WTO members, and a sprinkling of South American nations.

Mr Moore, while behind on the head count, is backed by some of the WTO's biggest traders - including the US, Germany, France and Italy - which account for almost a third of world merchandise trade.

The former New Zealand trade minister, who has been chipping away at Mr Supachai's support, leads his Thai rival in Latin America and has solid backing in other developing regions as well as in Europe.

it will not block Mr Supachai if he can command a consensus. However, Mr Supachai's supporters believe the US is stalling to give Mr Moore time to win over countries.

Mr Moore's backers say some countries are only now making up their minds after the two other candidates, Roy MacLaren of Canada and Hassan Abuyoub of Morocco, were eliminated last month.

"Achieving consensus takes time," said one insider in the Moore camp. "Provided we get a decision by the end of the month, the delay is not a problem."

Though both sides say the contest is not a north-south battle, the Supachai campaign argues that it is time for the WTO to have a leader from the developing countries.

Three-quarters of WTO members are developing countries and they play a greater role in the world trading system than ever before.

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Features

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Crossword Puzzle

Table with 2 columns: Crossword item, Page number. Includes Companies & Finance (14,16), Markets (22), etc.

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Indian prime minister Atal Bihari Vajpayee, left, with president K.R. Narayanan. Mr Vajpayee's coalition is in danger of collapse. Page 6

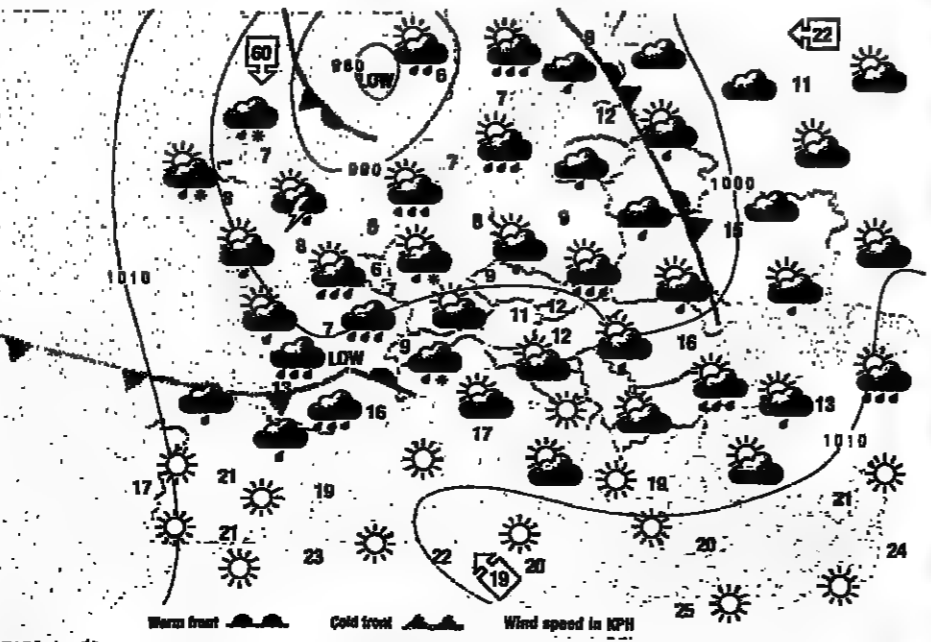
FT WEATHER GUIDE

Europe today

Much of southern Europe will be warm with sunny spells. Northern Spain will turn wet. Sharp showers are possible in Italy and the Balkans.

Five-day forecast

Low pressure will continue to bring unsettled conditions, with heavy showers, across central, western and north-western Europe over the next few days.



Situation at midday. Temperatures maximum for day. Forecasts by METEOROLOGICAL CENTRE

TODAY'S TEMPERATURES

Table listing temperatures for various cities. Columns include city name, temperature, and weather icon. Cities include London, New York, Tokyo, etc.

Large advertisement for Mitsubishi Corporation with text: "Who provides Mitsubishi Corporation with cutting-edge professional services?" and "the answer is Deloitte Touche Tohmatsu".

Advertisement for Deloitte Touche Tohmatsu with website www.deloitte.com and a stamp at the bottom.

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WEDNESDAY APRIL 14 1999

Week 15

INSIDE

Merrill posts record earnings

A strong underwriting performance and a large volume of business deals helped Merrill Lynch and Paine Webber Group post record earnings...

RJB Mining signs four-year contract

RJB Mining, the UK's largest coal producer, secured a market for most of its near-term output by agreeing a four-year deal worth up to £800m (\$1.3bn) with National Power...

Anxiety returns to Japanese banks

Teoco, the UK's largest supermarket group, posted a 7.8 per cent rise in annual pre-tax profits to £881m. The figures intensified the fear of more grim news this week from J Sainsbury...

Brazil sours Australian sugar trade

A shift in global trade flows, collapsing world prices and wet weather are threatening sugar traders in Australia, the world's second largest sugar exporter...

Foreign interest lifts Czech beer

Prospects for the Czech beer sector have been boosted by foreign interest. The victory of Nomura, the Japanese investment bank, in its two-year battle with Beza, the UK brewer...

Tussauds to securitise ticket sales

Tussauds Group, which includes the Madame Tussauds waxworks museum, is to launch a £230m bond securitised on ticket and merchandise sales in the first asset-backed offering by a European leisure group...

FT extends euro-zone coverage

The FT is extending its euro-zone financial coverage with a new look for the Euro Prices page (renamed Euro Markets). From today, it will contain longer, analytical articles on trends in European equity, fixed income and currencies markets...

Table listing companies and their stock prices for the week of 16/18/99. Includes companies like AEA Technology, Amersil, BNP, BSkyB, Baxby, Carfax, etc.

Table with Market Statistics including Emerging Market bonds, FTSE 100 share index, Foreign exchange, etc.

Clariant and Laporte call off takeover discussions

By Virginia Marsh in London, Uta Harnischfeger in Frankfurt and William Hall in Zurich

Clariant of Switzerland and Laporte, the UK chemicals group, abruptly called off talks on a potential £2bn (\$3.2bn) takeover yesterday, just hours after Laporte revealed it was in negotiations with a possible bidder. It is believed the talks, which were at an advanced stage...



Kvaerner revamp spells end of shipbuilding role

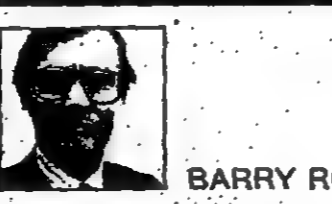
By Valeria Ghidella in Oslo and Tim Hart in Blackburn. Kvaerner, the Norwegian industrial engineering group, yesterday unveiled a fundamental restructuring involving its withdrawal from shipbuilding...

Canadian toll road deal goes to Spanish-led consortium

By Scott Morrison in Toronto. A consortium led by Grupo Ferrovial, the Spanish construction company, has reached a C\$1.1bn (\$850m) agreement with the government of the province of Ontario to operate a pioneering electronic toll highway...

Toyota move raises questions on strategy

By Paul Abraham in Tokyo. Toyota yesterday announced a top-level management reshuffle that raised questions about the future strategy of Japan's biggest automotive group. Hiroshi Okuda, the company's dynamic president, is to be replaced by Fujio Cho...



Efficiency drives out flair

Investment management, although severely comparing with the internet sector, has been one of the most successful areas in recent years for the creation of entrepreneurial fortunes. A handful of bright individuals can generate excess investment returns for several years, build substantial portfolios through taking on pension fund mandates...

Advertisement for Arco Bodegas Unidas, a Spanish wine producer. It features the Arco logo and text: 'Efficiency drives out flair', '€109 million (Pts 18 billion) Buy-Out of Arco Bodegas Unidas', and 'NatWest Equity Partners'.



Caja Madrid sells 3% stake in Telefonica

IF YOU WANT TO SEE SOMETHING done, just tell some human beings it can't be done. Make it known that it's impossible to fly to the moon, or run a hundred metres in nine-point-nine seconds, or solve Fermat's Last Theorem. Remind the world that no one has ever hit sixty-two home runs in a season. Stuffed eighteen people into a Volkswagen Bug. Set half the world free. Or cloned a sheep. Dangle the undoable in front of the world. Then, consider it done.

HUMAN ACHIEVEMENT



COMPANIES & FINANCE: INTERNATIONAL

# Czech beer set for European revival

Foreign interest has improved prospects for the industry, reports **Robert Anderson**

Czech beer, the original Pilsner-style lager, may soon begin to punch its weight in Europe again.

Since the fall of communism, Czech beer exports have underperformed because each brewery was privatised separately rather than merged to create a national champion that could attract a foreign strategic partner.

The industry was divided into 71 breweries which fought price wars for a place in the biggest per capita market in the world. Today a quarter of the capacity is estimated to be surplus and prices have fallen in real terms to levels so low that some half-litre bottles now sell for Kcs4 (11 US cents).

But the victory of Nomura Securities, the Japanese investment bank, in its bitter two-year battle with Bass, the UK brewer, to create central Europe's biggest brewing group could lead to the sale of the new concern to an international brewer that has the money and expertise to properly market Czech beer.

The surprise decision of the Czech competition office last month to allow the merger of the country's two

biggest brewers which Nomura controls will also force Bass to review its strategy in its only significant brewing investment outside the UK.

Before foreign groups showed interest in Czech brewers, the price war had pushed most breweries into losses, diverting them away from exports. The breweries did not have the critical mass to invest in marketing and sales abroad.

Beer exports fell 11 per cent last year to 1.75m hectolitres, about one-tenth of total production. The only successful exporter was Budejovicky Budvar, whose state ownership and export links built up in the communist period allowed it to stay above the domestic fray.

Bass was the first foreign brewer to try to realise the potential of Czech beer when it bought Prague Breweries in 1994 and began exporting Staropramen to Germany and its chain of UK pubs.

Bass also acquired a 33.4 per cent stake in Radeagast, the second biggest brewer. It began negotiations to buy out the majority owner, Investicni a Postovni Banka (IPB), and merge the breweries into a group control-

ling about 30 per cent of the domestic market.

However Nomura, which became interested in the beer industry while an adviser to the Czech government, blocked the purchase. The Japanese bank had forged a close relationship with IPB - which through a web of subsidiaries controlled both Radeagast and Prazdroj, the market leader - and eventually bought the troubled bank from the government for Kcs3.03bn (\$95.6m) in March last year.

Nomura applied to merge the breweries but was rejected twice on the grounds that their combined 44 per cent stake would prevent free competition. However, last month the new chairman of the competition office secretly reopened the case and gave Nomura the go-ahead.

Bass has protested and threatened legal action but now seems to be only a nuisance to Nomura. Through its 34 per cent stake in Radeagast, Bass can block a legal merger but not a holding company structure in which Radeagast uses Prazdroj's efficient distribution network.

The decision caps Bass's disappointing experience in

the Czech Republic. It has yet to make a profit with Prague Breweries, which last year crashed to a record Kcs800m loss, partly because of restructuring costs.

But Graham Staley, head of Bass in the Czech Republic, rejected speculation that the company would exit the country if it lost the case. "We could continue to focus on exports but we would probably not chase the domestic market so hard - we'd look for our niche," he said.

Nomura now stands to make back many times its purchase price for IPB when it sells the breweries. Daniel Martini, an analyst at Patria Finance in Prague, believes the merged group could be of most interest to Heineken, Anheuser-Busch and South African Breweries.

But Nomura insists its priority is completing the merger.

"In all of Europe we see concentration," says Vladimir Perina, managing director of Prazdroj. "When the Czech Republic joins Europe in a few years it will be necessary to be big and strong in the Czech market." In the higher-margin



Gaining strength: merger decision augurs well for Czech brewing

export business. Prazdroj will focus on selling Pilsner Urquell, the original Pilsner, to western Europe and north America. It plans to use licensed production of Gambrinus, the top Czech domestic brand, to get around import quotas in east Europe.

Currently Prazdroj uses link-ups with international brewers to sell Pilsner Urquell in western Europe but analysts such as Mr Mar-

tinu argue that only when one of them takes a strategic stake will the company be able to capitalise on the quality and tradition of Czech brewing.

Prazdroj believes last month's decision is the first step towards an export revival and it has big plans for the future. "In 1913 Prazdroj was the biggest brewery in Europe," says Mr Perina. "We want this position back."

RETAILING DUTCH GROUP REVIEWS OPTIONS

# Vendex might seek buyer for US toys chain

By Gordon Grant in Amsterdam

FAO Schwarz, the prestige US toys chain, may be put up for sale. Its new owner, the Dutch retail group Vendex, is unhappy with the performance of the unit and wants to focus on Europe.

Vendex acquired the New York Fifth Avenue flagship and Schwarz's 40 other outlets as part of its takeover last year of KBB, a domestic rival.

Jan-Michel Hessels, Vendex chairman, said yesterday a disposal of FAO Schwarz was "not impossible" and that its future would be "studied in the context of the international strategy" of his group.

He said Vendex aimed to expand in the Benelux, Germany and France. "We don't want to go too far from home."

He described profitability at Schwarz as inadequate, saying this would first have to be improved. Although no decision had yet been made on its future, the chain is the only operation which Vendex will have outside Europe.

KBB, in announcing its results yesterday for the year to January, did not

specify profits at Schwarz, but said these fell sharply. That was in part a result of investments in expanding the chain, which totals 42 outlets. Its sales rose nearly 9 per cent to some \$197m.

Pro-forma revenues for the merged Vendex KBB were \$19.2bn (\$4.17bn, \$4.5bn) in the latest year, up 6.7 per cent. Operating income at \$1.443m was 8.3 per cent higher, but excluding gains from property the figure at \$1.414m was ahead 52 per cent.

The group said it expected further growth this year, though both investments and the tax burden would increase.

For Vendex itself, including a two-month contribution from KBB, net earnings were \$1.278m. The \$1.15bn recorded for the previous year included a gain on its spin-off of Vestor, the business services side.

Vendex has also since sold its supermarkets business, in a reshuffle which has made it the Netherlands' largest non-food retailer.

KBB, which operates the Bijenkorf and Hema chains, achieved a turnaround to net profits of \$196.4m, from losses of \$141.3m.

The merger is due formally to come into effect next month.

# 3i and IBJ to set up MBO arm in Japan

By Paul Abraham in Tokyo

3i, the UK-based venture capital company, and Industrial Bank of Japan will today announce the creation of a joint venture aimed at developing management buy-outs (MBOs) in Japan.

The venture is the latest in a series by western groups to tap the MBO market at a time when many troubled Japanese corporations are looking to spin-off businesses to concentrate on core operations.

Other groups known to be targeting the MBO market include Jafco and Nomura of Japan. Schroders of the UK and a joint venture between NM Rothschild and Mitsu, the Japanese trading company.

The venture, to be called 3i-Kogin Buyouts, will be 80 per cent owned by 3i and 40 per cent by IBJ. The two companies will initially invest \$10bn (\$88m), and are looking for a further \$10bn from institutional investors anxious to access the fledgling Japanese MBO market. 3i has extensive operations in Europe and an office in Singapore.

"There is huge latent

potential in the MBO market," said Chris Boulton, the president of the new venture. "There are more than 40,000 companies whose owner-managers are over 60, and 13,000 whose owner-managers are over 70. In addition, the recession, deregulation, the weakening of the keiretsu (business groups) and increasing realisation by big companies that they need to focus, are all combining to create a fertile market for MBOs."

Junri Oda, an IBJ banker who will become managing director of the venture, said: "Big Japanese companies are realising they must make better use of capital, must manage cash-flow more effectively and adopt global standards. That creates a huge opportunity for spin-offs."

Mr Boulton compared the Japanese market with that of Germany a few years ago. "Japanese managers have been used to life-time employment, but that may be coming to an end. They may be willing to look at the higher risk-reward profile offered by MBOs." He said the market could be as large as the UK's within 20 years.

# Takeover boost for France Soir

By Samer Iskander in Paris

France Soir, once the country's best selling daily newspaper but which has fallen on hard times, was given a new lease of life this week with its sale to Georges Ghosn, the controversial media entrepreneur.

Mr Ghosn, backed by "investors who do not wish to make themselves known", is to inject FFr183m (€23.3m, \$35.2m) to revive the paper, which has been losing FFr10m a month under the ownership of Socpresse, which also publishes Le Figaro, the right-wing daily.

The sale, for a symbolic FFr1, was agreed last month but held back by trade union opposition. It was finalised this week after Socpresse agreed to offer job guarantees, stretching until after the sale, to France Soir staff. The former owner also assumed more than FFr500m of France Soir's accumulated debts.

Mr Ghosn has reappointed Yves Thérard as editor.

Last year, France Soir underwent the most ambitious of a series of relaunches under Mr Thérard, who slashed its price, switched to a tabloid format and turned it into a morning paper. The initiative was welcomed by read-

ers, but failed to boost revenues or stem declining circulation.

France Soir's circulation has declined uninterrupted since 1971, when it sold an average 1.1m copies of 22m, and an all-time high of 2.2m, on the day General De Gaulle died in 1970 - to 156,000 this year.

Mr Ghosn intends to raise the cover price from FFr3.90 to FFr5, increasing annual revenues by an estimated FFr25m.

Since the early-1990s, Mr Ghosn is credited with having revived the business dailies La Cote d'Azur and La Tribune. More recently, he is thought to have made a hefty profit from the sale of Le Nouvel Economiste, a bi-monthly he had run for barely two years.

The sale of France Soir will allow the Hersant family, which controls Socpresse, to restructure Le Figaro, its flagship. Le Figaro is to be relaunched in September, with "improvements, a new presentation and more modern illustrations", according to its publishers.

France Soir's mounting losses have consistently weighed on the group's development prospects, making Socpresse the subject of recurring speculations of an imminent sale.

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<p>\$161,460,000</p> <p> COVAD</p> <p>Initial Public Offering</p> <p>January 1999</p>	<p>\$112,700,000</p> <p> TECH MASTERS</p> <p>Initial Public Offering</p> <p>December 1998</p>
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<p>\$31,335,003</p> <p> theglobe.com</p> <p>Initial Public Offering</p> <p>November 1998</p>	<p>\$25,500,000</p> <p> DR</p> <p>Initial Public Offering</p> <p>August 1998</p>

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COMPANIES & FINANCE: ASIA-PACIFIC

TELECOMMUNICATIONS GOVERNMENT PROVISION MAY FAVOUR RIVAL NTT IN FIGHT FOR CONTROL OF JAPANESE CARRIER

New rule threatens C&W stake in IDC

By Michiyo Nakamoto in Tokyo

Cable and Wireless, the UK telecommunications group fighting a battle over IDC, could lose its 17.7 per cent stake in the Japanese international telecom carrier...

The UK group has said it has no intention of relinquishing its stake in IDC, which it has held for nearly 2 decades. Under a basic agreement signed by the founding shareholders...

is believed to be worth ¥63bn. NTT, meanwhile, has indicated it has no intention of raising its offer. Furthermore, C&W's intention to hold on to its stake makes it difficult for NTT to acquire IDC...

"squeeze out" minority shareholders could mean C&W will eventually be forced to relinquish its stake in IDC. The provision requires the agreement of two-thirds of both the acquired company and the acquiring company...

It has also emerged that the new NTT holding company, which will own 100 per cent of the three operating companies into which NTT is being restructured...

shareholders to ignore the basic agreement and sell their stakes to it, it can take control of IDC without C&W's approval. NTT is expected to pay for any IDC shares it acquires through a share swap...

Japanese banking crisis refuses to go away

Second stage could be starting, writes Naoko Nakamae

The injection of ¥745bn (\$62bn) of public funds into 15 of Japan's leading banks last month seemed to signal that the first stage of the country's banking crisis was over. But the failure of Kokumin Bank, a second-tier regional bank...

For example, problems in the regional banking sector will add to the difficulties city banks are experiencing in their attempt to sell off their bad loans, as property prices collapse in Japan. And the market is likely to be hit by further oversupply, as the authorities pressurise the regional banks into cleaning up their books...

But other analysts say the problems in the regional banking sector will also provide a strategic opportunity for some of the leading banks. "The real impact will be on the strategy side," says James Fiorillo, banking analyst at ING Baring Securities in Tokyo...

Other analysts say that the government needs to inject public funds into the regional banking sector. "It needs to do this quickly, before the problem loans get any bigger," he says. "I reckon they might need to pump as much as ¥3,000bn into these banks..."



Satyam soars on software exports

By Krishna Gata in Bombay

Satyam Computer Services, one of the stars of India's booming software services industry, has announced an 86 per cent jump in net profits for the year to March 31 to Rs729m (\$17m). Revenues doubled from Rs1.9bn to Rs3.8bn. All except Rs15m came from software exports, mainly to the US...

NEWS DIGEST

KOREA

S&P cuts credit rating for debt-hit Daewoo Corp

Standard & Poor's, the US rating agency, yesterday cut the corporate credit rating of Daewoo Corporation, the mother company of South Korea's second largest conglomerate, to B- from B. The lower rating means Daewoo will have to pay more in overseas borrowing as it struggles to service its debt...

AVIATION

PAL revival plan gains time

Philippine Airlines, the stricken national flag carrier, looks set to gain a little more time to seek support for its revival plan from creditors and potential investors. The Securities and Exchange Commission, the market regulator, indicated yesterday it would extend an April 15 deadline for its ruling on the plan to the end of the month or the first week in May...

JAPAN

Fujisawa sets high targets

Fujisawa yesterday unveiled a seven-year plan aimed at allowing the Japanese drug group to compete globally in selected therapeutic areas. The company, which recently announced Dr Hatazo Aoki would become chief executive in June, set a goal of net income of ¥40bn (\$333m) on sales of ¥400bn by 2005...

Kumagai Gumi profits warning

Kumagai Gumi, the Japanese contractor, yesterday issued a profits warning, underscoring the severe conditions in the domestic construction sector. The company blamed the drop in estimated earnings on a fall in private sector capital spending in the second half of the year. Kumagai Gumi cut its estimate of non-consolidated pre-tax profits before exceptional items from ¥8bn to ¥7.4bn (\$62m) for the year ending March 31, 1999...

Correction

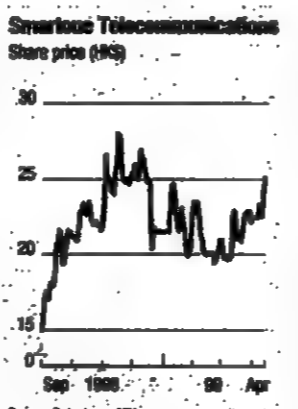
The Financial Times April 1 article "Mitsubishi Electric launches shake-up" incorrectly stated that Mitsubishi Electric closed its German semiconductor plant. In fact, the company closed only one part of the facility's operations.

TECHNOLOGY HONG KONG DEAL OPENS WAY TO CHINA

Yahoo! signs internet pact with SmartTone

By Louise Lucas in Hong Kong

SmartTone, Hong Kong's third biggest mobile phone operator, yesterday signed a pact with Yahoo!, the US-based internet portal company, to help expand its internet activities. SmartTone, which last week raised HK\$3.02bn (US\$389.7m) through the sale of a 20 per cent stake to British Telecom, is a late entrant into Hong Kong's competitive internet market...



Analysts said the alliance, under which Yahoo!'s Hong Kong operations will provide content for SmartTone's internet web site and develop further promotional programmes, would enhance the US company's global standing, especially in greater China. Yahoo! will provide information directories for users of SmartTone's "iSmart" web site. Yahoo! took an early lead among internet companies in developing Chinese lan-

Itochu warns of loss and steps up revamp

By Michiyo Nakamoto in Tokyo

Itochu, one of Japan's leading trading companies, yesterday warned that it would post a net loss in the year to March and unveiled plans to step up its restructuring efforts by further disposal of non-performing assets, reducing interest-bearing debt. Itochu said it would pass its dividend for the first time in 46 years and step up asset disposals to ensure higher profitability. It expects to report a consolidated net loss of ¥34bn (\$283m) rather than a net income of ¥2bn as previously forecast due to extraordinary losses related to the poor performances of domestic and south-east Asian subsidiaries. Group sales are forecast to fall 8 per cent to ¥13,300bn rather than ¥14,500bn as previously forecast. The company will suffer total extraordinary losses of ¥108bn of which ¥15bn is

due to the disposal of poorly performing assets, including real estate inventory, special tokkin and trust fund investments, ¥23bn due to losses on securities and ¥18bn on loan loss-reserves for overseas claims. The majority of its reserves are related to loans and receivables in Indonesia. The company aims to post a group net profit of ¥40bn in the year to March 2001, a return on assets of 0.5 per cent and a return on equity of 10 per cent by that time. "We are going to go through every business and decide to get out or get rid of [those which are not performing sufficiently well]," said Jay W. Choi, executive vice president. The latest restructuring programme follows an earlier plan announced in 1997 to dispose of underperforming assets and achieve net income of ¥20bn in the year to March 2001. It comes on the heels of a downgrading by Moody's

this February from Baa2 to Ba1 due to the continued deterioration in Itochu's operating and financing environment. In particular, Moody's noted that Itochu's 1997 restructuring plan did not go far enough in addressing the group's non- and low-performing assets funded by high interest-bearing debts. Itochu's new restructuring plan aims to reduce interest-bearing debt from ¥5,250bn at the end of last March to ¥3,900bn in the year to March 2001. Group assets will be reduced from ¥7,500bn to ¥6,200bn. Another trading company, Mitsubishi, said it would post ¥10.92bn in appraisal losses on its stockholdings and a ¥6.5bn loss on the sale of its shares in a Canadian affiliate. However, the losses will not alter its forecast group net profits of ¥34bn for the year to March, compared with ¥56.55bn in net profits in the previous year.

Advertisement for GN Great Nordic Ltd. featuring details about the Annual General Meeting of the company on Tuesday 27 April 1999 at 3.30 p.m. at the Falkoner Centre, Falkoner Allé 9, DK-2000 Frederiksberg, to transact the following business: a) Report on the Company's activities, b) Presentation of the annual accounts for approval and discharge of the Board of Directors and the Executive Management from their obligations, c) Resolution for the distribution of the net profit for the year, including the declaration of a dividend on the shares of the Company, d) Board resolution to amend Article 8 (1), 1st sentence of the Articles of Association (place of general meetings), e) Board resolution to authorise the Board of Directors to transfer DKK 60,176,236 from the Company's share premium fund to free reserves (other reserves), f) Resolution that the Board be entitled to acquire up to 10 per cent of own shares, g) Election of Board members, h) Appointment of 2 auditors for the period until the next annual general meeting.

Advertisement for Citibank AG, Creditanstalt AG, offering US\$250,000,000 Subordinated collateral floating rate notes due 2003. Includes contact information for Global Agency and Trust Services, Citibank, N.A., London, 14 April 1999.

Notice of Redemption to Bondholders of Banque Nationale de Paris FRF 1,250,000,000 Subordinated Perpetual Eurofloating Fixed to Floating Rate Notes ISIN: FR000109563. Issued under the programme for the issuance of debt instruments. Includes details about the redemption date (May 21, 1999) and the conversion of the notes into euros.

Vertical advertisement for Barclays and RJB deal with various financial and legal notices.

Handwritten signature or stamp at the bottom of the page.

COMPANIES & FINANCE: UK

BANKS MICHAEL O'NEILL WILL NOT TAKE ON THE ROLE AFTER HEART PROBLEM DIAGNOSED

Barclays to search again for a chief executive

By Clay Harris and George Graham

Barclays was forced to seek a new chief executive yesterday for the second time in less than five months. The US banker Michael O'Neill decided not to take up the position after being diagnosed with an arrhythmic heartbeat.

as acting chief executive, a role he assumed when Martin Taylor left abruptly in November. Mr O'Neill, a former Bank of America executive, was to have received £1.7m (\$2.7m) in salary and guaranteed bonuses in his first year, but now he will get no compensation, Barclays said.

shares he bought in February with £5m of his own money. In the last interregnum, Barclays received at least four approaches from potential suitors, some of which offered their managements as a dowry. Sir Peter said yesterday Barclays was, if anything, less receptive than before. "I don't think we feel we need a merger to fill the chief executive post."

again at its original shortlist of candidates, two from outside the UK and three from the UK, including some within the bank. "A large amount of basic winnowing has been done, so the process shouldn't take long," Sir Peter said. Where Mr Taylor's departure had left a "big hole in the system", Sir Peter said, "it's different now. The bank is visibly doing well."

however, that the search for a new finance director had been frozen again, just when it had been narrowed to two or three candidates. Oliver Stockton has again agreed to postpone his retirement. Barclays said Mr O'Neill, 52, had been diagnosed with a "slightly irregular heartbeat" following flu last month, well after taking the bank's customary medical examination for prospective executives. But the condition was only judged to be sufficiently serious after he suffered a black-out last week.

After Mr O'Neill's US doctors advised him against moving from San Francisco to take the job, he was examined again on Monday in London by the independent doctor who previously examined him for Barclays. He also concluded Mr O'Neill "shouldn't take the job and we shouldn't offer it to him", Sir Peter said.

RJB deal with National Power

Contract secures market for most of its production in next few years

By Thorold Barker

RJB Mining, Britain's largest coal producer, yesterday dispelled some of the uncertainty over its future by securing a market for most of its production in the next few years.



Richard Budge: no immediate plans for further pit closures

RJB, which had already signed contracts for its coal with PowerGen and Eastern Group, yesterday clinched a four-year deal with National Power worth up to £800m (£1.29bn).

Richard Budge, RJB chief executive, said the group now had contracts for virtually all of its 25m tonnes of annual production. He did not rule out further pit closures - Calverton Colliery in Nottinghamshire will close this week with the loss of 200 jobs - but said there were "no immediate plans".

£1.8bn. About 65 per cent of the volumes from the new contract are believed to be committed. The remainder, especially towards the end of the period involve options, making the period after 2001 less certain.

Coal accounted for about 88 per cent of UK electricity generation in 1998, compared with about 94 per cent last year. Some observers estimate this could fall as low as 80 per cent by 2002.

about 100p, said the deal would give it security of supply while allowing it flexibility for the future. This is important for National Power's Drax power station, which is being sold to allow it to buy the supply business of Midlands Electricity.

Tesco ahead of expectations with strong rise

By Peggy Hollinger

Tesco, the UK's largest supermarket group, yesterday reported stronger than expected trading, intensifying fears of further grim news this week from the food sector's number two player, J Sainsbury.

Terry Leahy, Tesco chief executive, hinted that although consumer spending was beginning to improve, stability in the food sector could be threatened by initiatives from weaker players. "There is a lot of stress and strain within the industry with some looking to recover," he said.

Tesco said same store sales in the UK last year - which averaged 4 per cent, or 2.7 per cent excluding inflation - had accelerated strongly after Christmas. The group was announcing a 7.8 per cent increase in pre-tax profits before exceptional items to £981m (£1.42bn), on total sales up 6.3 per cent to £28.5bn for the year to February 27.

Analysts estimated Tesco had achieved like-for-like sales of almost 6 per cent in January and February, against an industry showing increases of 1-1.5 per cent. "Tesco's sales in the last two months of their financial year look phenomenal," said one. "The risk is that Sainsbury will be trading pretty catastrophically."

Electra Fleming executives plan a £1bn fund

By Katherine Campbell, Growing Business Correspondent

Executives at Electra Fleming, managers of Electra Investment Trust, the venture capitalist fighting a £1.5bn (£2.02bn) hostile bid from larger rival 3i, are planning an independent existence, whether or not the trust is taken over.

Much of the argument between the two sides surrounds pay. Friendly talks broke down, according to 3i, over plans to improve the managers' incentives, whereby they invest in the shares of portfolio companies on the same favourable terms as the management buy-out team.

Shareholders vote tomorrow on EIT's reconstruction proposals - a buy-back of 40 per cent of the shares and a wind-up over five years. He trusts needs 75 per cent of the votes cast - a target analysts think it will not meet.

A report by Towers Perrin, the pay consultants, had concluded Electra had fallen behind competitors. It now emerges, and the proposal was for executives to be allowed to subscribe for 8 per cent of the trust's shares in portfolio companies, up from 5 per cent previously.

However, a person close to Electra Fleming said it was the prospect of fees on the new large fund, not the improved co-investment scheme, which was "keeping the team together".

Even if Electra Fleming executives voted with their feet, however, they would have to negotiate with 3i. "My [Larcombe] may do his damndest. But it's about culture. Electra Fleming acts as a partnership in every way. It doesn't want to be part of a huge machine," the person said.

Plans for the fund were already in progress when 3i made its initial approach in January. Electra Fleming currently manages £400m of funds beyond the trust.

Scapa disposal to Voith for £329m

By Richard Rivlin

Scapa Group, the industrial manufacturing company, is to sell its paper machine clothing and rolls business to Voith of Germany for £329m (£530m) in a move to counteract tough trading conditions.

packaging sector. It has 12,400 employees and sales last year were £85.7bn (£2.03bn). Scapa's paper machine arm generated operating profits of £45.4m on sales of £263.3m in the year to March 31 1998. At the time, it had net assets of £282.9m.

If shareholders approve the deal, Scapa will reduce its debt and return £120m in the form of a special 50p dividend. It will then focus on its international technical tapes business, which had sales of £200m last year. The board hopes the move will lead to a re-rating of its shares. These were hit by three profit warnings last year, but yesterday rose 27p to 144p.

David Dunn, chief executive of Scapa, said: "We will be left with the technical tapes business which has plants throughout Europe and North America and speciality materials which we will sell over the next year." Scapa has given undertakings not to distribute £25m of the proceeds as it has been named in a series of personal injury claims in five US states with cases pending.

Table with columns: Company, Revenue (£m), Profit (£m), EPS (£), Dividend (pence), etc. Includes companies like Ashmore, Black, Cargill, etc.

Jefferson Smurfit upbeat on US side

By Virginia Moran

Jefferson Smurfit, the Irish paper and packaging group, said yesterday the outlook for its business, especially in the US, was better than it had been for some time.

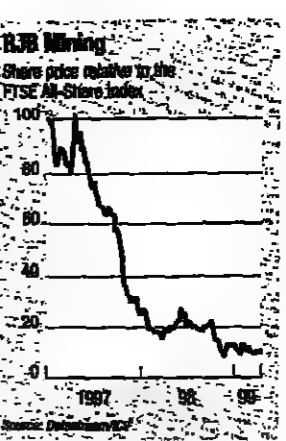
World Insurance advertisement. Text: 'Your non-life depends on it'. Includes contact information for FT World Insurance Report.

Greek Banking & Finance advertisement. Text: 'Tuesday May 18'. Includes contact information for Financial Times Surveys.

COMMENT

RJB Mining

How cosy. A generator gets the all-clear for an acquisition, despite reservations from the regulator. Generators - National Power in this case - signs a big coal deal with RJB Mining, protecting miners' jobs. Yesterday's deal, for up to 46m tonnes over five years, is a breathing space for RJB, but only a small one. An unknown chunk of that coal is in effect under option. If the government lifts its moratorium on gas-fired plants quickly, fossil fuel generators will want less coal. And the contracts lined up with the generators will not ease RJB's medium-term plight. Its market is declining. The generators took 40m tonnes of coal in 1998-99, of which RJB supplied 23m. By 2003-2004, one generator reckons that 40m will drop to about 22m. Even if imports are squeezed, RJB will still have too much capacity.



Tesco

The Tesco juggernaut rolls on imperturbably. If anything, the tricky UK market is highlighting the retailer's strengths. Tesco is piling pressure on the opposition. Like-for-like sales rose by 4 per cent last year, well above the 1.5 per cent sector average. As a result, Tesco pushed its share of the market to 15.8 per cent, stretching its lead over struggling rival J Sainsbury.

No-one could accuse Tesco of resting on its laurels. It is moving fast into the internet and home shopping, and increasing its non-food side. The latter move is already paying off: non-food is one of the healthier bits of the supermarket business right now. The internet will take longer, but Tesco Net is winning new customers nicely. Best of all for investors, Tesco is leading the pack. Nonetheless, there are clouds on the horizon. The biggest is the Competition Commission's enquiry into supermarket retailing. Although Tesco says this is not a worry, the fallout is potentially unpleasant. One fear is that the commission might hold Tesco back by restraining it from developing stores in districts where it is already represented. A poorer UK performance could make shareholders less enthusiastic about the costs of its overseas expansion - vital for the long-term growth story. The group's foreign investment is likely to dilute earnings by 10 per cent this year. Shareholders might balk at this if the UK core started to misfire.

CSG bidders seek to withdraw

By Caroline Daniels and Clay Harris

Michael Ashcroft's companies are trying to withdraw their proposed takeover bid for Corporate Services Group, after boardroom changes at the troubled recruitment company, which is valued at £208m (£330m).

called a shareholders' meeting in about two weeks. CSG said one director had stepped down immediately, following the departure last week of Jeffrey Fowler, executive chairman, and that two more would go at the meeting.

Carlele Holdings and BHI Corporation said yesterday that the Takeover Panel was considering their request. They also cast doubt on Dresdner Kleinwort Benson's claim that investors with more than 50 per cent of the shares supported the election of new CSG directors.

Since then, Mr Fowler has resigned and the leading shareholders in CSG have claimed that they have majority support for the removal of four further directors and their replacement with a new team at an emergency meeting. Citing these changes, Mr Ashcroft's advisers approached the Takeover Panel in hopes of lapsing the bid on Monday.

CONTRACTS & TENDERS

REPUBLIC OF CAPE VERDE advertisement. Text: 'Announcement of Privatisation By International Public Tender of State Owned Financial Sector Institutions'. Includes details of the tender and a table of institutions.

MANAGEMENT & TECHNOLOGY

INTERVIEW SIR RICHARD SYKES

Stay healthy by getting bigger

The Glaxo Wellcome chairman is keen to secure the company's future through merger, writes David Pilling

Sir Richard Sykes is stooped over a monitor, his eyes eagerly running up and down a column of figures...

The largest drugs groups are huge, making up eight of the world's top 25 companies by market capitalisation...

Research is so expensive that even these giants can mount significant efforts in only a handful of disease areas...

'It's a question of compromise, of what's available and what's possible'

'There's a period of time now when big investment in research is going to pay off in the future - there's no question about that...'

'The performance of drugs companies, he believes, will increasingly depend on their ability to discover innovative drugs...'

'In the past, Glaxo would jump on to other people's discoveries... but to be successful in the future, one has

to drive innovation, to use modern scientific technology to come up with competitive goods that have real value.'

Sir Richard says the industry is on the threshold of revolutionary change driven by tremendous advances in unlocking the causes - rather than the mere symptoms - of disease...

Sir Richard and Jim Nield, Glaxo's executive director for science and technology, believe they could fruitfully double the £1.3bn (\$2.08bn) now spent on research and development...

The flurry of recent drug industry mergers - including that of Zeneca of the UK with Astra of Sweden - has been driven by weakness, he says...

Since the collapse of talks, in February 1998, rumours have circulated that Glaxo



PAUL TAYLOR IN LONDON VIEWPOINT@FT

Privacy rules open a gulf of mistrust

The transatlantic row over data protection reveals cultural differences

Almost six months after the European Union privacy directive came into force, the gulf between US and European views on the issue of data protection remains as wide as ever...

Although both sides are reportedly working hard to make US self-regulatory regimes acceptable under the EU directive ahead of the US-EU summit in June...

To a large extent these reflect deep-seated cultural differences. In particular, while most Americans distrust government...

But he is sure the doubters will be proved wrong. 'I think the whole future of this industry rests on investing today - sensibly of course - in the modern technology that will produce the competitive edge for the future...'

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Yugoslavia have prompted debate about the application of sophisticated software and computer systems to a remote control 'television war'...

Some technology and defence experts even suggest that future wars could be conducted almost entirely in cyberspace - by opposing teams of hackers using computer viruses and other 'inflow' tactics to wreck opponents' economies and conventional war machines...

Would such an in-far war conducted from the keyboard rather than the battlefield be more acceptable than a physical conflict?

Certainly most 'advances' in warfare - including the atom bomb - have been justified in the past on the basis that they shorten conflict. No doubt the same will be claimed for information warfare...

Ever since European computer services company shares and profits started climbing strongly in the mid-1990s, pessimists have been looking for indications of a downturn...

Those voices have become louder in recent months as 2000 has loomed...

As Richard Kramer, Robert Smithson and Gregory Gold, Goldman Sachs analysts and authors of the firm's latest report on European Computing Services, point out, 'such a premise has been easy to postulate yet nearly impossible to prove...'

'Too often, the authors argue, evidence such as high levels of recurring revenues and order books covering half of current year sales have been ignored by commentators determined to latch on to 'the last gasp of a doom and gloom' scenario...'

Goldman's analysts say such negative views ignore the fundamentals. 'So long as the wider economy does not take a six-month holiday, the position of third-party service vendors in fighting fires alongside companies' internal IT staff seems secure...'

The authors then detail reasons why they believe there is no slowdown ahead, including the fact that not all customers have fully addressed the year 2000 computer date issues and that 'millennium bomb' work is only a small fraction of the work most IT services companies do...

The resolution of the millennium bomb problem should not lead to a significant shortfall in revenues...

'A clear backlog of project work is building,' say the analysts. 'IT development waits for no man, and companies which make efforts to rectify non-compliant systems are likely to resume projects and systems development once Year 2000 issues are laid to rest...'



JOHN KAY

Playing chicken can clip your wings

Cult movies involving games of dare offer lessons for a variety of business situations

The Bodleian Library in Oxford shuts for the week after Easter. So instead of burrowing through its dusty books and periodicals, I was forced to rummage among the old videos at home. Still, there is plenty to be learnt there about business and economics...

I found much of interest in Rebel Without a Cause, the 1950s James Dean movie. The film climaxes in a game called chicken. Dean and his rival each drive a car towards a cliff. You win the game by jumping from the car later than the other player, but before it plunges over the precipice...

Chicken is a familiar business situation. If you blink first, you lose. But if neither of you blinks at all, you lose still more. Every negotiation has elements of chicken about it. Still, the

Dean version of the game is a difficult one to analyse. To learn about the mathematics of movies, it is easier to start with the simpler version of chicken in Stand By Me...

Here, the two protagonists drive their cars towards each other, on a road wide enough for only one vehicle. You win the game if you drive straight ahead while your rival swerves. If you both swerve, you both look foolish. And if neither swerves, disaster lies ahead...

This, too, is a common business problem. A market opportunity is profitable if one firm goes for it but if many firms try, all will lose money. London financial services after Big Bang deregulation were a classic chicken game. Twenty-eight firms tried market-making in gilts, for example, and so long as that number did so

none could possibly make money. Only when enough had jumped, or swerved, might profits be earned...

One lesson of chicken games is that - as was true in financial services in London - it is possible to lose far more than any potential gain could ever have justified. The problem is that once you are sucked into such a game, it always seems worth spending a little more...

This is often true in races for patents and innovations. Silicon Valley is full of exponents of chicken and its investors are also playing...

Perhaps we should refuse to play chicken. Yet if you stay out, you pass winning opportunities by. You can develop a strong position if you make an irrevocable commitment. If you could throw the steering wheel out

of the window, you would be a certain winner in Stand By Me...

This is the paradox of Alexander the Great burning his boats. You can do better by restricting your options. If you cannot quit, or risk losing a reputation as a stayer, you are a formidable opponent at chicken...

But the greatest paradox is that it is often best to adopt random behaviour in chicken games. It is possible to write down the mathematics of the problem faced by the two groups of boys in Stand By Me and to show that, in general, a good solution for each is to swerve sometimes and to stick sometimes. You can even calculate how often you should swerve and how often you should stick...

But how to decide which option to adopt? It is a

mistake to rely on any objective criteria. If you did, then your opponent might guess at how you made your decision and act accordingly. I could not find a film with the child's game of stone, scissors, paper but it illustrates the point. Stone blunts scissors; scissors cut paper; but paper covers a stone. Any predictable behaviour loses and random wins half the time against another random player. The only way to keep your strategy secret from others is not to know what it is yourself...

This is not a recommendation that business strategies be based on the toss of a coin, although that might be safer than some alternatives. As more and more firms think about the restructuring of the industries they are in, it

is hard not to recall the observation of Josh Billings, the American humourist, that the trouble with people is not that they don't know, but that they know so much that ain't so...

Not knowing may still be better than knowing, random behaviour more profitable than rational analysis. Limiting your flexibility may yield higher pay-offs and you can lose far more from the chicken game than you could ever hope to win. Learn to play chicken in business when you must, but learn from Rebel Without a Cause and Stand By Me that it is usually better not to be playing these games at all...

The author is the Peter Moores Director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

INFORMATION TECHNOLOGY WEB PUBLISHING

Taming a many-headed monster

Online news must be carefully controlled to maintain its value, says Richard Poynder

On the eve of last year's US elections, ABCNews.com posted fictitious test results on what it believed was a restricted-access area of its web site. To its mortification, the information was in fact accessible to the public and attracting unwelcome comment from competitors...

The error had no legal consequences and caused only temporary embarrassment to ABC. But as just one of a number of examples of private information leaking on to the web, it underlined the challenges of managing large web sites...

For newspapers, whose sites often encompass hundreds of thousands of pages, and where updating can take place every few minutes, the task is a nightmare. To address the problem, powerful 'content management' systems are increas-

ingly used at newspaper sites. They offer much more functionality than traditional web publishing tools, and usually include workflow software, streamlined web page production, and file-locking to ensure only one person can edit a web page at one time. There are also complex controls to stop sensitive information spilling into the public domain...

Last year The Chicago Tribune adopted StoryServer, developed by Texas-based Vignette Corporation. Web management has been simplified, and production staff cut by 10 per cent, despite doubling its web traffic...

'StoryServer enables us to generate many more pages, and to devote less time to routine work and more to doing creative things,' says Owen Youngman, director of Chicago Tribune Interactive Media...

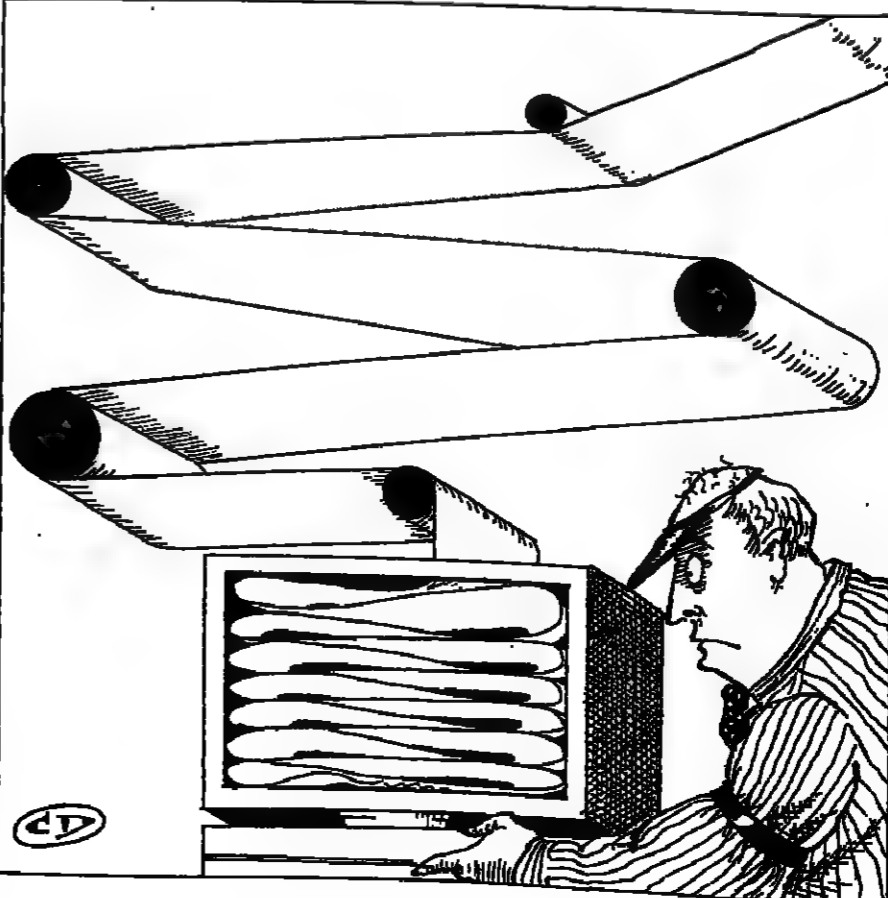
The new content management systems aim to exploit the web more effectively, but there is no consensus on the best method. Systems such as StoryServer and Inso's DynaBase use 'dynamic publishing' techniques where all the components of a web page, including text, graphics and files such as audio or video, are generated 'on the fly', instead of using static HTML pages...

Whatever their differences, everyone does agree that publishing on the web is significantly different. As Erik Szwed, vice-president of product marketing at Vignette, says, in print something is being produced that will be frozen in time. 'The web is the exact opposite - it requires you to do lots of things in parallel, with multiple bits of information being released many times during the day...'

Because the web enables newspapers to 'slice and dice' their content endlessly

for different audiences, content must be appropriately structured. This increasingly means adopting XML or Extensible Markup Language, which helps in creating industry-specific indexing systems...

XML will allow newspapers to personalise information for individual users more accurately. 'Thanks to XML, newspapers will be able to move directly into the e-commerce chain, earning commission on sales generated from advertisements...' While finding the right technology is important, the biggest challenge for newspapers today may be an intellectual one. 'What we are producing today is not a newspaper, not a web site, nor any other specific product; it is intellectual property,' says Mr Maidment. Or as Mr Youngman puts it, the model now is: 'Write once, publish many times.'



مكتبة العدل

EURO MARKETS

Unglamorous cyclical stocks coming back into fashion

Cyclicals are battling for upper hand with growth stocks, writes Bertrand Benoit

For the past six months, European equity markets have provided the arena for a battle between the advocates of two distinct types of stocks. Since the end of last year, advocates of cheap cyclical or value stocks - unglamorous industrial and consumer issues whose volatile earnings track economic growth - have argued they were on their way back with the bull run in fashionable growth stocks - highly valued companies with a fast-rising revenue stream - was running out of steam. Recent signs of a rally in value stocks seem to compound this view. But the more cautious analysts are still urging restraint, saying that the risks of switching from growth into value far outweigh the gains available in an uncertain economic environment. Most industrial cyclicals did well over the first quarter.

Euro-zone coverage extended

The FT today extends its euro-zone financial coverage with a new look for this page, which will now contain longer, analytical articles on trends in European equity, fixed income and currencies markets. The daily report on euro-zone equity markets has moved to the World Stock Markets page. The page's statistics are unchanged, with the exception of the interest rates swaps table, which moves to the International Capital Markets page, and Euro Libor derivatives contracts, which now appear on the Currencies and Money page.

Richard Davidson, European equity strategist at Morgan Stanley Dean Witter, who advocated a move into cyclicals in January, admits that "despite the recent pick up in value stocks, investors remain worried about the state of the economy."

Many analysts think this year's rally in cyclicals has little to do with any renaissance. Mark Howdle, at Salomon Smith Barney, says the recent rise in US bond yields, one benchmark for valuing European stocks, has been a key factor in the switch from growth stocks.

With the yield on the 10-year US Treasury now above 5 per cent, against 4.6 per cent in early January, high price-earnings ratio growth stocks are looking overvalued. Such stocks depend heavily for their value on future earnings potential, but that potential has to be discounted using bond yields to get a present value for the stock when the yield rises, the present value falls.

For Ian Scott, pan-European strategist at Lehman Brothers and a vigorous advocate of cyclicals since October, there is little correlation between accelerating GDP growth and surging value stocks. Over the last 10 years, according to figures from Lehman, three out of five periods of cyclical outperformance took place during an economic slow-down.

What matters, says Mr Scott, is the market's perception of the economic outlook reflected in the valuation of the stocks. Their recent pick-up, cyclicals remain priced for a recession in 1999, he claims, while he and other optimists are betting on a modest slow-down.

One thing defenders and critics of cyclicals agree on, however, is the risk inherent in a value-centred strategy because of the short-lived nature of cyclical rallies. "Cyclicals typically outperform for a couple of months or quarters, but not years," says Mr Scott. "It is not a good idea to hold on to them for a long period of time."

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FTSE Actuaries Share Indices

Table with columns: Index, Euro, Day's % change, Year % change, 52 wk high, 52 wk low, Total return (Euro) %

OTHER INDICES

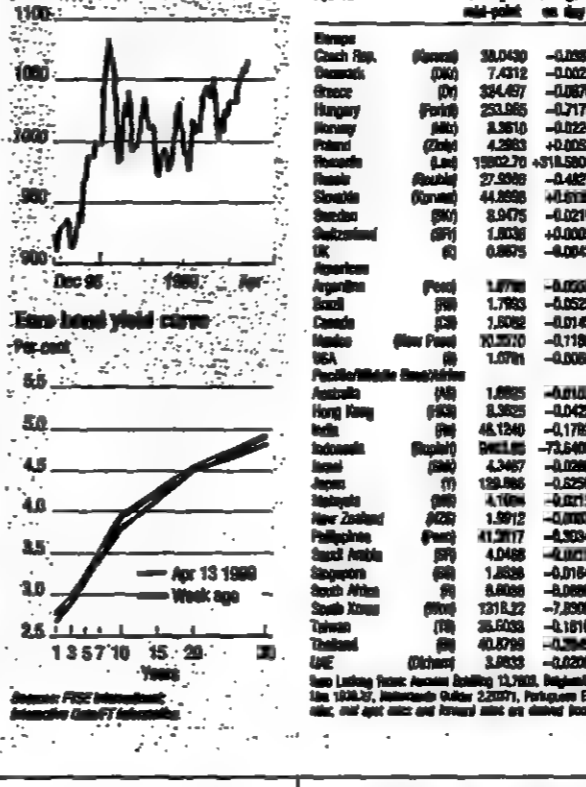
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CURRENCIES, MONEY & BONDS

EURO-ZONE BONDS

Table with columns: Country, Issuer, Maturity, Bid, Offer, Yield, Duration, Spread

EURO SPOT FORWARD AGAINST THE EURO



EURO SPOT FORWARD AGAINST THE EURO

Table with columns: Country, Bid, Offer, Yield, Duration, Spread

FTSE EUROTOP 300

Large table listing top 300 FTSE Euro stocks with columns for company name, price, change, volume, etc.

For real-time FTSE Eurotop 300 index quotes call FT Cityline on 0936 943 5520. Calls are charged at 60p per minute at all times.

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CONSTRUCTION & BUILDING

Table listing construction and building stocks with columns for company name, price, change, volume, etc.

FOR REAL-TIME FTSE EUROTOP 300 INDEX QUOTES CALL FT CITYLINE ON 0936 943 5520

Table listing various industry sectors and their top stocks, including Chemicals, Food & Drink, etc.

FOR REAL-TIME FTSE EUROTOP 300 INDEX QUOTES CALL FT CITYLINE ON 0936 943 5520

Table listing various industry sectors and their top stocks, including Automobiles, Electronics, etc.

FOR REAL-TIME FTSE EUROTOP 300 INDEX QUOTES CALL FT CITYLINE ON 0936 943 5520

Table listing various industry sectors and their top stocks, including Pharmaceuticals, Telecom, etc.

Financial Times Surveys Asian Financial Markets Friday April 30

AUCTION NOTICE UK GOVERNMENT EURO TREASURY NOTES For auction on 20 April 1999

INTERNATIONAL CAPITAL MARKETS

Serbian news hits European prices

BENCHMARK BONDS

By Arkady Ostrovsky and John Labate

European bond prices were hit yesterday by reports of Serbian troops crossing the border with Albania while the US bond market suffered from strong economic data and the strength of equities.

The 10-year yield spread between Greece and Germany widened by 9 basis points to 199 basis points.

But analysts said impact of the conflict in Kosovo on bond markets was limited. David Knott, at Deutsche Bank, said the markets would be seriously affected only if Nato decided to send ground troops to Kosovo.

The 10-year German bond future fell 0.38 to 115.68 after the Organisation for Security and Co-operation in Europe said Serb forces had crossed into Albania and occupied a border post.

prices as investors continue to transfer funds from bonds into equities, analysts said. US Treasuries weakened after the morning release of retail sales and consumer prices data.

Observers said the US economy defied sceptics once again, revealing no signs of slowing growth or increased inflationary pressure. Retail sales were up a weaker than expected 0.2 per cent in March, but that was offset by an upward revision of sales figures for the two previous months.

Mr Knott said the rise in oil prices may not have been registered in March figures. The core CPI, which excludes energy and food sectors, was 0.1 per cent stronger.

By early afternoon the benchmark 30-year Treasury bond was down 1/8 to 96 1/8, sending the yield up to 5.485 per cent. Among shorter-term issues the 10-year note was down 1/8 to 97 1/8, yielding 5.099 per cent and the two-year note was off 1/8 to 99 1/8, yielding 4.925 per cent.

between gilts and German bunds has widened by 13 basis points to 74 basis points over the past week as investors interpreted the 25 basis point cut in UK interest rate last week as the last one in the cycle, said Phyllis Reed at Barclays Capital.

The 10-year gilt future closed 0.28 lower at 117.98. Japanese government bond prices also fell yesterday as investors switched funds from bonds into a rallying equity market, said Joanne Collins at Daiwa Europe.

Corporate debt defaults rise in US

By Arkady Ostrovsky

US companies accounted for more than half of all corporate debt defaults in the first quarter of the year, while the number of emerging markets defaults fell by 65 per cent year-on-year, according to a report by Moody's Investors Service, the international rating agency.

Tussauds to securitise ticket sales

By Károly Mészáros

Tussauds Group, which includes the world famous Madame Tussauds and the Alton Towers theme park, is to launch a £200m bond securitised on ticket and merchandise sales in the first asset-backed offering by a European leisure group.

museums in Las Vegas and New York in the US.

The leisure group's bond offering is the latest in a series of securitisations by UK borrowers. Property company British Land said this week it was launching a £1.54bn bond supported by the cash-flows from its rental properties.

It was preceded by several smaller structured financings by nursing homes and pub groups including Welcome Break, Roadchef and the Unique Pub company.

IDB issues \$1bn global bond

NEW ISSUES

By Károly Mészáros

The Inter-American Development Bank led the dollar issuance market yesterday with a \$1bn global bond, one of several in the US currency recently.

offered a small pick-up against US agency paper.

European investors were the largest single buying group, followed by US and Asian investors.

Bankers said the appetite for dollar paper was helped by other factors, such as evidence of renewed demand after the Easter holidays. This broadly coincided with the Japanese year-end and reassessments by Japanese buyers, which are traditionally active investors in the 10-year sector, and central banks from other Asian countries, which are regular buyers in the five-year maturity band.

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Yield, Spread, Book-runner. Includes entries for US Dollar, Euro, and other international issues.

10-year bond originally launched last October. Salomon Smith Barney managed the original issue and yesterday's reopening. The bond was priced to yield 59 basis points over the relevant UK gilt and traded unchanged after the launch.

UK BONDS

likely to be launched today and priced tomorrow. Bankers close to the deal say the bond is likely to be priced to yield 30 to 60 basis points over Korea's 2003 global bond launched in February last year, which yesterday was trading at 200 basis points over US Treasuries, compared with 345 basis points at launch.

INTERNATIONAL BONDS

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Yield, Spread, Book-runner. Lists various international bond issues.

WORLD BOND PRICES

Table with columns: Country, Bond Type, Price, Yield, Spread, etc. Includes sections for Benchmark Government Bonds, Bond Futures and Options, and US Corporate Bonds.

US INTEREST RATES

Table showing Treasury Bills and Bond Yields for various maturities (1m, 3m, 6m, 1y, 2y, 3y, 5y, 7y, 10y).

UK BONDS

Table with columns: Maturity, Price, Yield, Spread, etc. Lists UK government bond prices.

UK INDICES

Table with columns: Index Name, Value, Change, etc. Lists UK stock indices like FTSE 100, FTSE 250, etc.

10 YEAR BENCHMARK SPREADS

Table comparing 10-year benchmark spreads for various countries (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Taiwan, Thailand, UK, US).

INTEREST RATE SWAPS

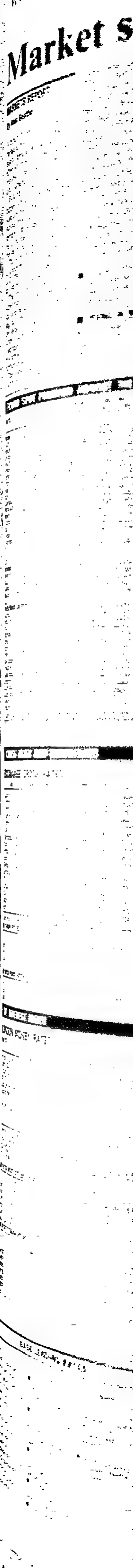
Table with columns: Term, Bid, Ask, Bid, Ask, Bid, Ask, Bid, Ask. Lists interest rate swap rates for various terms.

FTSE Actuaries Government Securities

Table with columns: Maturity, Price, Yield, Spread, etc. Lists FTSE Actuaries Government Securities.

Other Fixed Interest

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Yield, Spread, Book-runner. Lists other fixed interest issues.



CURRENCIES & MONEY

Market settles after Kosovo euro blip

MARKETS REPORT

By Alan Beattie

A brief flurry of excitement caused the euro to skitter down below \$1.08 yesterday after stories emerged of Serb troops crossing the border into Albania.

But the currency swiftly turned around as the incursion proved short-lived, reassuring the markets that the incident was more likely to be a border skirmish than the start of a ground war.

The euro closed at the end of London trading yesterday at \$1.079, little changed from the start of trading.

The fall gave the market something to think about on an otherwise fairly staid day in the markets, as the lack of direction in the large currency pairs was confirmed by option volatilities across the board sagging further downward.

The non-event of Monday's dollar collapse that never

came was also confirmed. Traders said that when the Dow rose in its first few hours of trading yesterday, the idea was finally dispatched that the Compaq profits warning would be enough to spark the long-awaited collapse in US equities and the dollar.

Meanwhile the other predictable currency victims of Kosovo's incursion also had a minoris quart d'heure. The Greek drachma had a quick dip below the key Dr195 level against the euro before coming back up for air, and the Hungarian forint drifted lower against its rival.

Another disaster which failed to happen was the predicted meltdown in the Brazilian Real after it was devalued.

POUND IN NEW YORK

Table with columns: Apr 13, Last, Prev, Close, % change. Rows for 1m, 3m, 1y.

After the Real plunged below R\$2.00 against the dollar in the immediate aftermath of the cut, currency analysts reached for their thesauruses and starting looking up hyperbolic synonyms for the word "crisis".

But yesterday the currency reached another milestone in its crawl back towards respectability, rising above the R\$1.70 level as supportive public sector fiscal data were released.

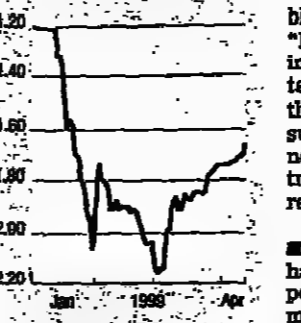
The primary budget surplus target will be met, and that the impact of interest rate cuts reducing debt service charges more than offset the effect of devaluation on dollar-linked public debt.

By the London close the Real was at R\$1.6675.

Analysts said that the rise reflected repatriation by domestic investors more than a flood of international money, but that it still boded well for future interest rate

Brazilian Real

Against the dollar (\$ per R\$)



Source: Reuters

OTHER CURRENCIES

Table with columns: Country, Apr 13, Apr 12, % change. Rows for Hong Kong, Taiwan, Singapore, etc.

INTERNATIONAL CURRENCY RATES

Table with columns: Currency, Apr 13, Apr 12, % change. Rows for Euro, Danish Krone, Swedish Krona, etc.

THREE MONTH EURO LIBOR FUTURES (€1m 100-rmb)

Table with columns: Month, Open, Bid, Ask, Change, High, Low, Est. vol, Open Int.

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UK INTEREST RATES

LONDON MONEY RATES

Table with columns: Apr 13, Rate, Bid, Ask, High, Low, Est. vol, Open Int.

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WORLD INTEREST RATES

MONEY RATES

Table with columns: Apr 13, Rate, Bid, Ask, High, Low, Est. vol, Open Int.

MONEY RATES

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Table with columns: Apr 13, Rate, Bid, Ask, High, Low, Est. vol, Open Int.

COMMODITIES & AGRICULTURE

African fish exporters protest against EU ban

By Mark Turner in Nairobi
East African fish exporters will today protest in Brussels against an EU ban on Lake Victoria fish exports...

These countries have taken precautionary measures but...they are not enough to assure the safety of the fishery products...

any evidence of Nile Perch poisoning.
Ugandan exporters have expressed anger at a lack of government controls...

badly from the ban, with fisheries the third largest export earners after coffee and tourism...

have plunged, devastating lakeside communities, and local politicians are fighting what they claim to be deliberate misinformation by their opponents...

Jump in Brazilian coffee exports

MARKETS REPORT

By Paul Solman, Robert Corzine and Gillian O'Connor
Brazil came close to tripling its coffee exports last month, encouraged by the devaluation of the Real...

The world's largest coffee producer exported 2.1m 60kg bags last month, 180 per cent more than in March 1997...

This was not so for El Salvador whose coffee shipments between October and April fell 82 per cent compared with the same period last year...

Coffee prices were little moved in this trading yesterday, the most active May robusta contract on the London International Financial Futures and Options Exchange ending at \$1.477 a tonne...

Oil prices continued to firm yesterday, with the benchmark May Brent futures contract quoted at \$16.17 a barrel in late trading on London's International Petroleum Exchange...

The news of clashes in Albania involving Serbs also helped firm the price of gold. Copper and aluminium led base metals higher, partly because of fresh rumours of imminent production closures in copper, partly because of alleged buying by investment funds...

Randgold to develop Morila

By Victor Mallet in Johannesburg
Randgold Resources, the London-listed subsidiary of South Africa's Randgold & Exploration, has decided to go ahead with the development of the low-cost Morila gold mine in the west African state of Mali...

The feasibility study, audited by Resource Service Group of Australia, estimates proven and probable gold reserves of 3.33m ounces at the site, and puts Morila's total resources at 4.45m ounces...

N.M. Rothschild & Sons has agreed to arrange project finance for the mine, which is expected to cost between \$75m and \$111m to develop...

Australian sugar shaken by change in trade flows

Competition is threatening the industry, writes Stephen Wyatt

The Australian sugar industry is under threat from a shift in the pattern of global sugar trade flows, collapsing world sugar prices and extremely wet weather in its main sugar-growing state, Queensland...

Prices have fallen 40 per cent so far this year and last week New York sugar futures hit 5.03 US cents per pound, the lowest since September 1995...

Canegrowers, on behalf of sugar-cane farmers, will be applying to the Australian government for "exceptional circumstances grants"...

Forward sales and hedging in the futures market when sugar prices were reasonable in 1998 by Queensland Sugar Corporation, the statutory corporation that has an export monopoly on the marketing of Queensland's raw sugar...

The likely price for this year's (sugar) harvest will be below the industry's cost of production and about 30 per cent of the crop has been significantly damaged by heavy rain and floods, says Mr Chapman...



For the first time, Brazilian sugar is competitive in the Asian region

COMMODITIES PRICES

BASE METALS

Table of base metal prices including Aluminum, Copper, Lead, Nickel, Tin, Zinc, and various alloys. Columns include contract type, price, and change.

Precious Metals continued

Table of precious metal prices including Gold, Silver, Platinum, and Palladium. Columns include contract type, price, and change.

GRAINS AND OIL SEEDS

Table of grain and oil seed prices including Wheat, Corn, Soybeans, and other oilseeds. Columns include contract type, price, and change.

SOFTS

Table of soft commodity prices including Cocoa, Coffee, and Rubber. Columns include contract type, price, and change.

MEAT AND LIVESTOCK

Table of meat and livestock prices including Live Cattle, Live Hogs, and Live Sheep. Columns include contract type, price, and change.

ENERGY

Table of energy prices including Crude Oil, Heating Oil, and Natural Gas. Columns include contract type, price, and change.

SOYBEAN MEAL

Table of soybean meal prices including Soybean Meal and Soybean Flour. Columns include contract type, price, and change.

INDEXES

Table of various commodity and market indices. Columns include index name, current value, and change.

LONDON SPOT MARKETS

Table of London spot market prices for various commodities. Columns include commodity name, price, and change.

JOTTER PAD

A small table or grid used for jotting down notes or calculations.

PRECIOUS METALS

Table of precious metal prices including Gold, Silver, Platinum, and Palladium. Columns include contract type, price, and change.

PULP AND PAPER

Table of pulp and paper prices including Pulp and Paper products. Columns include contract type, price, and change.

INDEXES

Table of various commodity and market indices. Columns include index name, current value, and change.

LONDON SPOT MARKETS

Table of London spot market prices for various commodities. Columns include commodity name, price, and change.

CROSSWORD

A crossword puzzle grid with clues and the solution provided at the bottom.

A large advertisement at the bottom of the page featuring a stylized logo and text in Arabic script.



FT MANAGED FUNDS SERVICE

Offshore Funds

FT Offshore Unit Trust Prices are available over the telephone. Call the FT Offshore Help Desk on (44 177) 823 4279 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Table listing various offshore funds under the Bermuda (FSA Recognised) category, including fund names and prices.

BERMUDA (REGULATED)\*\*

Table listing various offshore funds under the Bermuda (Regulated) category.

Table listing various offshore funds under the Cayman Islands (Regulated) category.

CAYMAN ISLANDS (REGULATED)\*\*

Table listing various offshore funds under the Cayman Islands (Regulated) category.

GUERNSEY (FSA RECOGNISED)

Table listing various offshore funds under the Guernsey (FSA Recognised) category.

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GUERNSEY (REGULATED)\*\*

Table listing various offshore funds under the Guernsey (Regulated) category.

IRELAND (FSA RECOGNISED)

Table listing various offshore funds under the Ireland (FSA Recognised) category.

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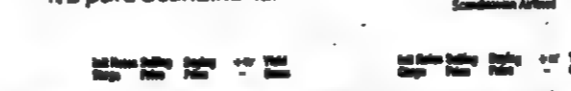
Table listing various offshore funds under the Ireland (Regulated) category.

IRELAND (REGULATED)\*\*

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Fast-track air travel to Scandinavia? You've got it. With more direct flights more often from the UK, there's no quicker way to get to our part of the world. For more information about SAS, give us a ring on +44 (0) 181 990 7322, or visit www.sas.com - we're looking forward to seeing you on board soon!



It's pure Scandinavian

Jump in Brazilian coffee exports

MARKETS REPORT

CROSSWORD



Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances. Call the FT Citybase Help Desk on (+44 171) 973 4970 for more details.

Main table containing financial data for various offshore funds and insurances, organized by region (Jersey, Luxembourg, etc.) and fund type. Includes columns for fund name, value, and other metrics.

Handwritten signature or stamp at the bottom center of the page.

FT Offshore Unit Trust Prices are available over the telephone. Call the FT Offshore Help Desk on (44) 171 470 4278 for more details.

Table of financial data for various fund categories including 'Other Offshore Funds' and 'Global Funds'. Columns include fund names, prices, and other metrics.

Table of financial data for various fund categories including 'Global Funds' and 'Specialist Funds'. Columns include fund names, prices, and other metrics.

Table of financial data for various fund categories including 'Specialist Funds' and 'Sector Funds'. Columns include fund names, prices, and other metrics.

Table of financial data for various fund categories including 'Sector Funds' and 'Offshore Funds'. Columns include fund names, prices, and other metrics.

Advertisement for FT Managed Funds Service. Text: 'QUITE POSSIBLY, At State Street, we're focused on the institutional investor... THE WORLD'S ONLY... \$4.8 TRILLION... NICHE PLAYER... are a world leader. But first and foremost, we are specialists.' Includes a logo for State Street.

MANAGED FUNDS NOTES: This section provides detailed information regarding the fund's investment strategy, risks, and performance metrics.



LONDON SHARE SERVICE

IN TRUSTS SPLIT CAPITAL - Continued

Table with columns for company names, share prices, and other financial data under the 'IN TRUSTS SPLIT CAPITAL' category.

MINING - Continued

Table with columns for company names, share prices, and other financial data under the 'MINING' category.

REAL ESTATE - Continued

Table with columns for company names, share prices, and other financial data under the 'REAL ESTATE' category.

SPECIALITY & OTHER FINANCE - Continued

Table with columns for company names, share prices, and other financial data under the 'SPECIALITY & OTHER FINANCE' category.

TRANSPORT - Continued

Table with columns for company names, share prices, and other financial data under the 'TRANSPORT' category.

AIM - Continued

Table with columns for company names, share prices, and other financial data under the 'AIM' category.

LEISURE, ENTERTAINMENT & HOTELS

Table with columns for company names, share prices, and other financial data under the 'LEISURE, ENTERTAINMENT & HOTELS' category.

OIL & GAS

Table with columns for company names, share prices, and other financial data under the 'OIL & GAS' category.

REAL ESTATE - Continued

Table with columns for company names, share prices, and other financial data under the 'REAL ESTATE' category.

SUPPORT SERVICES

Table with columns for company names, share prices, and other financial data under the 'SUPPORT SERVICES' category.

AMERICANS

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CANADIANS

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LIFE ASSURANCE

Table with columns for company names, share prices, and other financial data under the 'LIFE ASSURANCE' category.

PACKAGING

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RESTAURANTS, PUBS & BREWERIES

Table with columns for company names, share prices, and other financial data under the 'RESTAURANTS, PUBS & BREWERIES' category.

SOFTWARE & COMPUTER SERVICES

Table with columns for company names, share prices, and other financial data under the 'SOFTWARE & COMPUTER SERVICES' category.

TRADED INDEX SECURITIES

Table with columns for company names, share prices, and other financial data under the 'TRADED INDEX SECURITIES' category.

AIM

Table with columns for company names, share prices, and other financial data under the 'AIM' category.

MEDIA & PHOTOGRAPHY

Table with columns for company names, share prices, and other financial data under the 'MEDIA & PHOTOGRAPHY' category.

PERSONAL CARE & HOUSEHOLD PRODUCTS

Table with columns for company names, share prices, and other financial data under the 'PERSONAL CARE & HOUSEHOLD PRODUCTS' category.

PHARMACEUTICALS

Table with columns for company names, share prices, and other financial data under the 'PHARMACEUTICALS' category.

TELECOMMUNICATIONS SERVICES

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TOBACCO

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TRANSPORT

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Advertisement for Interactive Investor website, featuring the text 'If only this page could be updated now. Our pages just have been.' and the website URL www.iii.co.uk.

GUIDE TO LONDON SHARE SERVICE

Guide to London Share Service: This section provides detailed information about the service, including how to use the data, subscription rates, and contact details for the publisher.

FT Free Annual Reports Club

FT Free Annual Reports Club: Information about the club, which provides free access to annual reports for FT subscribers.

FT Cityline

FT Cityline: Details about the Cityline service, including how to access it and the types of information it provides.

The FT web site

The FT web site: Information about the FT website, including how to access it and the types of content available.

LONDON STOCK EXCHANGE

Footsie surges to intra-day and closing records

MARKET REPORT

By Steve Thompson, UK Stock Market Editor
The Compaq doomsters were sent running for cover yesterday as London stocks went into overdrive...

And Wall Street provided further encouragement yesterday with the Dow taking a determined run and topping 10,400. However, it fell away shortly after the London close.
There was no stopping the UK's leading stocks, represented by the FTSE 100 index...

ren Buffett, the revered US investment guru, had said his investment vehicle, Berkshire Hathaway, had been a big buyer of a leading UK stock and was on the verge of announcing a 3 per cent stake in the company.
There was intense speculation about Buffett's target stock, with many market favourites being put forward...

at a record closing level of 6,518.1, up 71.9 after hitting a peak of 6,519.5 when Wall Street was at its best.
Marketmakers said there was a substantial supply of new money coming into the market. "The Peps [personal equity plan] cash is still running and the takeover stories are fuelling even more support from small investors...

Individual stories played a big part in market sentiment; Barclays Bank retreated, stabilised and then surged ahead after the news of the new chief executive's enforced resignation for health reasons, which was said to have opened another opportunity for a predator. J. Menzies, the high street retailer, attracted keen speculative interest based on takeover rumours.
There was encouragement in the pick-up in market activity, which saw turnover reach 1.13bn shares, with non-FTSE 100 stocks accounting for 52 per cent.

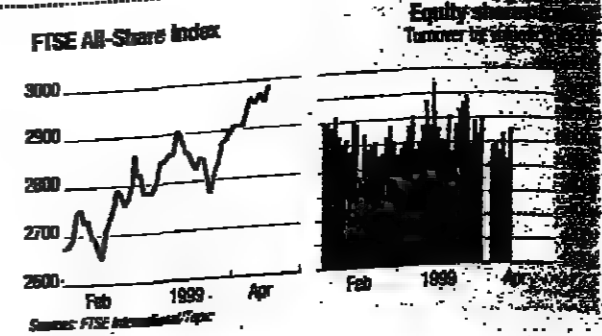


Table with 2 columns: Indices and ratios, and FTSE 100. Rows include FTSE 100, FTSE 250, FTSE All-Share, and various ratios like Dividend yield and Long gilts yield.

Buffett's boost to M&S

COMPANIES REPORT

By Peter John and Joel Kizorek
Marks and Spencer shares reacted to comments by Warren Buffett, the US investor, that he is pumping some of his \$13bn cash pile into at least one British company.

Buffett's comments induced something of a guessing game in the market yesterday and other companies mentioned as possible targets included Cadbury Schweppes, which gained 19% to 914.5p, and Vodafone, which rose 9 to 112.12.
Barclays bucked the latest boardroom bombshell as consolidation hopes swept through the banking sector. The shares were down more than 50p in early trade as a number of brokers took the opportunity to turn more

cautious after it was announced that Michael O'Neill, the new chief executive, was leaving after a heart murmur.
However, the stock recovered sharply as the market decided that the exit provided a perfect opportunity to link up with Royal Bank of Scotland.
Barclays is understood to have rejected at least four potential merger partners during its search for a new chief executive. After the departure of Martin Taylor in November, the bank was beset by investment bankers preaching the beney-

fits of mergers with RBOS, Bank of Scotland, Halifax or Prudential. The return of that chat ensured Barclays reversed the weakness to close 46 up at 119.19.
Meanwhile, Royal Bank jumped 82 to 114.25 with WestLB Panmure reiterating a "buy" up to 115.00 a share. Bank of Scotland rose 11 to 910p and Halifax 7 to 864p. Prudential eased 2 to 844p.
Laporte dived 12 per cent as Monday's star became yesterday's tarnished trophy. The speciality chemicals group had shot up on weekend press stories, later confirmed by the company, that it was in talks about a possible offer.

The bidder was widely believed to be Clariant of Switzerland and a price tag of 800p a share was being suggested. But first things yesterday morning Laporte said the talks had foundered.
The shares fell back 96 to 687.5p, the worst performance among FTSE 250 stocks although some dealers suggested that the company might merely be bagging over prices and reports of the death of the deal might have been premature.

Food sector specialists could hardly contain their pleasure at bumper figures from food retailer Tesco that prompted a buying spree.
Buyers were falling over themselves to acquire the stock and turnover by the close had soared to a hefty 56m, by far the most actively traded stock in the FTSE 100 yesterday. The shares jumped 9% to 169.5p, the best Footsie performer yesterday.
Shares in Canary Wharf, the UK's third largest listed property group, gained 4% to 345.5p on news that the stock is to be included in the Salomon Smith Barney property index from the end of April. Unconditional trading in the stock began two weeks ago.
Shares in Marks and Spencer supplier Dewhirst Group improved 5% to 52p, amid talk that the company could soon be on the receiving end of a 120p a share bid.

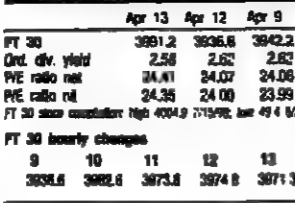
FUTURES AND OPTIONS

Table with multiple columns: Index, Open, Set price, Change, High, Low, Est. vol, Open bid, Open ask. Rows include FTSE 100 Index Futures (LFFE) and FTSE 100 Index Options (LFO).

FT 30 INDEX

Table with 2 columns: Index, and various metrics like Div. div. yield, Div. yield, Div. yield, Div. yield, Div. yield.

Best and worst performing FTSE sectors



Best and worst performing FTSE sectors

Table with 2 columns: Sector, and various metrics like Div. div. yield, Div. yield, Div. yield, Div. yield, Div. yield.

Best and worst performing FTSE sectors

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LONDON RECENT ISSUES: EQUITIES

Table with multiple columns: Issue, Date, Price, Change, etc. Lists various equity issues and their market performance.

FTSE GOLD MINES INDEX

Table with multiple columns: Index, and various metrics like Div. div. yield, Div. yield, Div. yield, Div. yield, Div. yield.

STOCK MARKET TRADING DATA

Table with multiple columns: Date, and various trading metrics like Total value, Total shares, etc.

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Large advertisement for European Community Newspaper. Includes headline 'European Community Newspaper', a large image of a newspaper, and subscription information: 'Subscribe for a year and receive 4 weeks extra free.'

FTSE Actuaries Share Indices

Table with multiple columns: Index, and various metrics like Div. div. yield, Div. yield, Div. yield, Div. yield, Div. yield.

The UK Series

Table with multiple columns: Index, and various metrics like Div. div. yield, Div. yield, Div. yield, Div. yield, Div. yield.

FTSE Actuaries Industry Sectors

Table with multiple columns: Sector, and various metrics like Div. div. yield, Div. yield, Div. yield, Div. yield, Div. yield.

TRADING VOLUME

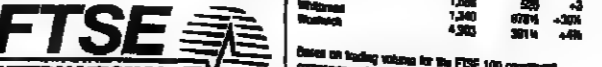
Table with multiple columns: Major Stocks, and various trading metrics like Vol. Change, Day's change.

Hourly movements

Table with multiple columns: Index, and various hourly trading metrics.

Hourly movements

Table with multiple columns: Index, and various hourly trading metrics.



WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

Table with columns for stock symbols and prices. Includes sub-sections for Austria (Apr 13) and Germany (Apr 13).

EUROPE (NON-EMU)

Table with columns for stock symbols and prices. Includes sub-sections for Switzerland (Apr 13) and France (Apr 13).

FINLAND

Table with columns for stock symbols and prices. Includes sub-sections for Helsinki (Apr 13) and Stockholm (Apr 13).

NETHERLANDS

Table with columns for stock symbols and prices. Includes sub-sections for Amsterdam (Apr 13) and Copenhagen (Apr 13).

ITALY

Table with columns for stock symbols and prices. Includes sub-sections for Milan (Apr 13) and Athens (Apr 13).

RUSSIA

Table with columns for stock symbols and prices. Includes sub-sections for Moscow (Apr 13) and Warsaw (Apr 13).

NETHERLANDS (continued)

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NETHERLANDS (continued)

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Rockwell advertisement featuring an image of a car and text: 'Rockwell's call centre technology is helping to speed up assistance from AA's emergency service.'

FT/S&P ACTUARIES WORLD INDICES

Table showing FT/S&P Actuarial World Indices for various regions including Australasia, Europe, Japan, Latin America, Middle East, Pacific, and South Africa.

Emerging markets: IFC Investable Indices

Table showing IFC Investable Indices for emerging markets including Argentina, Brazil, Chile, China, Colombia, Czech Republic, India, Indonesia, Korea, Malaysia, Mexico, New Zealand, Norway, Philippines, Poland, Portugal, Russia, South Africa, South Korea, Taiwan, Thailand, Turkey, UK, USA, and Venezuela.

AMERICAS

TORONTO

Table with columns for stock symbols and prices. Includes sub-sections for Toronto (Apr 13) and Montreal (Apr 13).

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GLOBAL EQUITY MARKETS

US INDICES

Table with columns for Date, High, Low, and Stock completion. Includes indices like S&P 500, Dow Jones, and NASDAQ.

US DATA

Table with columns for Date, High, Low, and Stock completion. Includes market activity and trading activity.

JAPAN

Table with columns for Date, High, Low, and Stock completion. Includes market activity and trading activity.

FRANCE

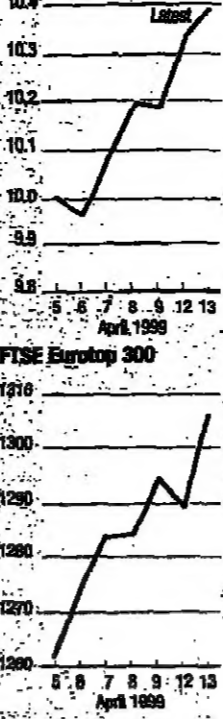
Table with columns for Date, High, Low, and Stock completion. Includes market activity and trading activity.

GERMANY

Table with columns for Date, High, Low, and Stock completion. Includes market activity and trading activity.

UK

Table with columns for Date, High, Low, and Stock completion. Includes market activity and trading activity.



INDEX FUTURES

Table with columns for Index, Open, High, Low, and Change. Includes S&P 500, Dow Jones, and NASDAQ.

WORLD MARKETS AT A GLANCE

Large table listing global market data for various countries including Argentina, Australia, Canada, France, Germany, Hong Kong, India, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, Philippines, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, and the UK.

THE NASDAQ-AMEX MARKET GROUP

Extensive table listing individual stock prices and market data for the NASDAQ-AMEX market group, including columns for stock name, price, and change.

AMEX

Table listing stock prices and market data specifically for the AMEX market.

EASDAQ

Table listing stock prices and market data specifically for the EASDAQ market.

